Calendar No. 755

100TH CONGRESS
2d Session
SENATE
REPORT
100–395

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATION BILL, 1989

JUNE 22, 1988.—Ordered to be printed

Mr. INOUYE, from the Committee on Appropriations, submitted the following

REPORT

[To accompany H.R. 4637]

The Committee on Appropriations to which was referred the bill (H.R. 4637), making appropriations for Foreign Assistance and related programs for the fiscal year ending September 30, 1989, and for other purposes, reports the same to the Senate with various amendments and presents herewith an explanation of the contents of the bill.

Amounts in new budget authority

Fiscal year 1988 appropriations	$13,590,746,741
Fiscal year 1989 budget estimate	14,307,969,987
Amount of bill as passed by House	14,299,842,666
Amount of bill as reported to Senate	14,310,030,307
Bill as recommended to Senate compared to:	
1988 appropriations	719,283,566
Budget estimate	2,060,320
House Committee reported bill	10,187,641

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SUMMARY TABLE: AMOUNTS IN NEW BUDGET AUTHORITY

Item	Budget estimate	House reported bill	Recommended by Senate committee	Increase (+) or decrease (−), Senate bill compared with: Budget estimate	Increase (+) or decrease (−), Senate bill compared with: House reported bill
Economic assistance—Multilateral	$1,524,349,987	$1,577,090,646	$1,493,590,037	−$30,759,950	−$83,500,609
Economic assistance—Bilateral	6,107,531,000	6,215,558,270	6,288,591,270	+181,060,270	73,033,000
Military assistance	5,950,689,000	5,792,193,750	[1]5,797,849,000	−152,840,000	+5,655,250
Export assistance	725,400,000	715,000,000	730,000,000	+4,600,000	+15,000,000
Total, fiscal year 1989	14,307,969,987	14,299,842,666	14,310,030,307	+2,060,320	+10,187,641

[1] House and Senate military assistance figures include funding for Guaranty Reserve Fund.

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A LOOK AT THE SIZE AND DIMENSIONS OF U.S. FOREIGN ASSISTANCE

To better understand the dimensions of the U.S. Foreign Assistance Program, the Committee is again including in its report tabular information showing the amounts of resources transferred to foreign nations in fiscal year 1987, fiscal year 1988, and the amount proposed to be transferred in fiscal year 1989. Table I helps to better inform the Congress and the American people about the size of the U.S. foreign assistance effort. The Committee would caution, however, that significant amounts of foreign assistance are provided through programs not under the jurisdiction of the Foreign Operations Subcommittee and are, therefore, not recorded here. To obtain more complete information on these other dimensions of U.S. foreign assistance, last year the Committee commissioned a study by the Congressional Research Service. When completed, that study will form the base for Committee hearings on the whole of the U.S. foreign assistance effort.

Despite these omissions, the following tables show a significant absolute foreign assistance effort. There are many who continually criticize the United States for not providing enough foreign assistance dollars. Usually this criticism is presented in comparisons with other countries on the percentage of gross national product devoted to foreign economic assistance. Such a comparison is grossly misleading, for it presents only a partial reflection of the total contribution made by the American taxpayer to the safety and general welfare of the world's developing countries.

It must be underscored that, in addition to our economic and military assistance programs, the United States continues to shoulder the major burden of defending the free world. In fact, as the following table II demonstrates, the United States spends more on the defense of itself and the Western World than all of the other Western countries shown on the table combined.

Furthermore, it is worth pointing out that several of the countries listed in table II direct their foreign assistance programs to former colonies, neighboring countries or trading partners, while the United States' program is worldwide in scope and does not exhibit the degree of parochial bias evident in the programs of many other donor countries. As this Committee has noted in the past, the measurement of foreign assistance efforts through comparisons which use "net official development assistance as a percentage of GNP" as the only standard, rob such comparisons of any intelligible meaning and makes it impossible to judge the inadequacy or excessiveness of U.S. foreign assistance.

Table III is included to show the continuing large portion of the cost of international banks and other multilateral organizations funded by the United States.

TABLE I.—TRANSFER OF U.S. RESOURCES TO FOREIGN NATIONS

[In millions of dollars]

	Fiscal year—		
	1987 (actual)	1988 (estimate)	1989 (proposed)
Military assistance	[1]5,059.4	5,329.2	5,622.7
Economic assistance	[1]9,299.1	8,646.2	8,707.1
Total foreign assistance	14,358.5	13,975.4	14,329.8
Export-Import Bank[2]	7,352.5	15,294.4	10,905.0
Total	21,711.0	29,269.8	25,234.8

[1] Figures for military and economic assistance represent actual appropriations.
[2] Export-Import Bank figures represent gross program authorization level.

TABLE II.—DEFENSE EXPENDITURES AND DEVELOPMENT ASSISTANCE

[Dollars in millions]

Country	Defense expenditures[1] (1986)		Net official development assistance[2] (1986)	
	Amount	Percent of GNP	Amount	Percent of GNP
Australia	$5,105	2.9	$752	0.47
Austria	NA	NA	198	.21
Belgium	2,414	3.0	549	.49
Canada	7,902	2.3	1,695	.48
Denmark	1,269	2.3	695	.89
Finland	1,269	2.3	313	.45
France	20,800	4.1	5,105	.72
Germany, Federal Republic of	20,800	3.2	3,832	.43
Greece	2,506	7.2	NA	NA
Ireland	308	1.9	62	.28
Italy	10,010	2.7	2,404	.40
Japan	13,490	1.0	5,634	.29
Luxembourg	39	.8	NA	NA
Netherlands	4,051	3.1	1,740	1.01
New Zealand	451	2.0	75	.30
Norway	1,853	3.2	798	1.20
Portugal	650	3.3	NA	NA
Spain	NA	NA	NA	NA
Sweden	2,932	3.0	1,090	.85
Switzerland	2,244	2.2	422	.30
United Kingdom	24,200	5.3	1,750	.32
United States	265,800	6.6	9,564	.23

[1] Data on defense expenditures in dollars and as a percent of GNP from the U.S. Arms Control and Disarmament Agency publication entitled "World Military Expenditures and Arms Transfers 1987."
[2] Data on net official development assistance in dollars and as a percent of GNP from the 1987 chairman's report, Development Assistance Committee, Organization for Economic Cooperation and Development.

NA—Not available

TABLE III.—U.S. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND SUBSCRIPTIONS AND CONTRIBUTIONS TO DEVELOPMENT BANKS

Organization or activity:	*Fiscal year 1989 estimated U.S. share as a percentage of total contributions*
African Development Bank: [1]	
Paid-in capital	5.5
Callable capital	5.5
African Development Fund [1]	11.8
Asian Development Bank:	
Paid-in capital	NA
Callable capital	NA
Asian Development Fund [1]	16.2
Consultative Group on International Agricultural Research [CGIAR] [AID]	19.0
Inter-American Development Bank: [1]	
Paid-in capital	34.7
Callable capital	34.7
Fund for special operations	41.3
International Atomic Energy, cash contribution	25.0
International Bank for Reconstruction and Development: [1]	
Paid-in capital	18.8
Callable capital	18.8
International Development Association: Paid-in capital (subscriptions)	23.8
International Fertilizer Development Center [AID]	35.0
Intergovernmental Government Committee on European Migration	8.0
Organization of American States	50.0
Pathfinder Fund (population planning) [AID]	87.0
United Nations Relief and Works Agency	30.0
United Nations Educational and Training Program for Southern Africa	17.7
United Nations Environment Program	22.0
United Nations Fund for Drug Abuse Control	10.0
United Nations Force in Cyprus	28.0
World Meteorological Organization, Voluntary Assistance Program	12.0

[1] Percentage based on most recent replenishment as negotiated internationally.

NA—Not available.

HISTORICAL TOTALS OF U.S. ECONOMIC AND MILITARY ASSISTANCE

The following table presents summary and detail information relating to the totality of U.S. foreign assistance (economic and military) furnished to other nations during the period fiscal years 1946–87. It has been extracted from information assembled and presented by the Agency for International Development in the current edition of its publication, U.S. Overseas Loans and Grants.

U.S. FOREIGN ASSISTANCE, FISCAL YEARS 1946–88

[In millions of dollars]

	Economic assistance	Military assistance	Total
Total economic and military assistance, fiscal years 1946–87	203,785	123,732	327,517
Total other U.S. loans and grants, fiscal years 1946–87	55,445	.....	55,445
Economic and military assistance, fiscal year 1988 (estimated)	9,068	5,329	14,397
Grand total	**268,298**	**129,061**	**397,359**

U.S. ECONOMIC AND MILITARY ASSISTANCE

DETAIL BY REGION AND BY COUNTRY

FISCAL YEARS 1946–87

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
A. Near East and South Asia	61,941.1	54,647.6	116,588.7
Afghanistan	552.2	5.6	557.8
Bahrain	2.4	.....	2.4
Bangladesh	2,398.0	2.3	2,400.3
Bhutan	4.7	.....	4.7
Cyprus	252.6	.....	252.6
Egypt	14,080.3	9,372.4	23,452.7
Greece	1,910.3	6,151.8	8,062.1
India	11,537.6	147.5	11,685.1
Iran	765.7	1,404.9	2,170.6
Iraq	45.5	50.0	95.5
Israel	13,897.5	24,026.8	37,924.3
Jordan	1,794.4	1,482.7	3,277.1
Lebanon	339.0	265.5	604.5
Maldive Islands	7.2	.1	7.3
Nepal	395.1	2.8	398.9
Oman	108.5	199.7	308.2

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY Continued

FISCAL YEARS 1946–87—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
A. Near East and South Asia—Continued			
Pakistan	6,898.7	2,227.5	9,126.2
Saudi Arabia	31.8	292.3	324.1
Sri Lanka	974.2	6.7	980.9
Syria	576.9	.1	577.0
Turkey	4,320.6	8,969.7	13,290.3
Yemen, Arab Republic	345.3	39.2	384.5
Yemen, Peoples Democratic Republic of	4.5		4.5
Central Treaty Organization (CENTO)	39.6		39.6
Near East and South Asia Regional	657.5	.1	657.6
B. Latin America	21,082.3	3,759.7	24,842.0
Argentina	201.8	263.6	465.4
Bahamas	.3	.1	.4
Barbados	3.7	.3	4.0
Belize	86.3	2.4	88.7
Bolivia	1,086.6	87.2	1,173.8
Brazil	2,452.5	639.9	3,092.4
Chile	1,203.1	217.0	1,420.1
Colombia	1,417.8	288.2	1,706.0
Costa Rica	1,268.2	38.5	1,306.7
Cuba	4.0	16.1	20.1
Dominican Republic	1,237.4	84.9	1,322.3
Ecuador	648.8	147.1	795.9
El Salvador	2,234.7	787.6	3,022.3
Grenada	59.9	.1	60.0
Guatemala	936.0	52.8	988.8
Guyana	120.9	.1	121.0
Haiti	629.5	12.6	642.1
Honduras	1,192.0	388.3	1,580.3
Jamaica	971.6	31.4	1,003.0
Mexico	402.7	16.0	418.7
Nicaragua	387.5	32.5	420.0
Panama	580.6	61.9	642.5
Paraguay	206.6	30.7	237.3
Peru	1,254.1	277.0	1,531.1
Suriname	6.4	.2	6.6
Trinidad and Tobago	40.9	.2	41.1
Uruguay	188.5	90.3	278.8
Venezuela	202.8	152.8	355.6
Other West Indies-Eastern Caribbean Regional	555.8	29.6	585.4
Regional Office Central America and Panama—ROCAP	579.8		579.8
Latin America Regional	921.5	10.4	931.9
C. East Asia	29,794.3	39,128.8	68,923.1
Burma	215.8	90.0	305.8
China, Peoples Republic of	2.3		2.3
Hong Kong	43.8		43.8
Indochina Associated States	825.6	731.5	1,557.1
Indonesia	3,524.6	653.0	4,177.6
Japan	2,711.1	1,239.6	3,950.7
Kampuchea	916.2	1,280.3	2,196.5

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY Continued

FISCAL YEARS 1946–87—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
C. East Asia—Continued			
Korea, Republic of	6,068.7	8,789.8	14,858.5
Laos	904.1	1,606.7	2,510.8
Malaysia	92.2	193.5	285.7
Philippines	3,349.3	1,508.7	4,858.0
Ryukyu Islands (U.S.)	413.8	.....	413.8
Singapore	2.8	19.4	22.2
Thailand	980.5	2,239.9	3,220.4
Vietnam (South), Republic of	6,949.3	16,416.1	23,365.4
Western Samoa	16.8	.....	16.8
Taiwan	2,206.9	4,360.4	6,567.3
Asia Regional	570.6	.....	570.6
D. Africa	16,130.1	2,913.3	19,043.4
Algeria	203.6	.2	203.8
Angola	29.8	.....	29.8
Benin (Dahomey)	71.6	.3	71.9
Botswana	243.0	30.4	273.4
Burkina Faso	279.5	.8	280.3
Burundi	68.0	.6	68.6
Cameroon	249.0	28.2	277.2
Cape Verde	77.9	.2	78.1
Central African Republic	39.4	1.1	40.5
Chad	160.0	22.6	182.6
Comoros	6.8	.....	6.8
Congo, Republic of	21.1	.1	21.2
Djibouti, Democratic Republic of	32.2	9.9	42.1
Entente States	38.0	.....	38.0
Equatorial Guinea, Republic of	9.4	1.3	10.7
Ethiopia	579.4	280.1	859.5
Gabon	23.6	16.0	39.6
Gambia, The	77.3	.2	77.5
Ghana	530.8	3.0	533.8
Guinea	240.6	9.0	249.6
Guinea-Bissau	41.3	.1	41.4
Ivory Coast	52.4	.9	53.3
Kenya	717.1	248.6	965.7
Lesotho	224.0	.1	224.1
Liberia	728.6	85.6	814.2
Libya	212.5	17.6	230.1
Madagascar	113.9	4.3	118.2
Malawi	176.6	3.5	180.1
Mali	304.6	4.2	308.8
Mauritania	151.2	.4	151.6
Mauritius	58.8	.....	58.8
Morocco	1,569.2	684.5	2,253.7
Mozambique	210.6	.....	210.6
Niger	320.7	20.7	341.4
Nigeria	429.5	2.0	431.5
Portuguese Territories in Africa	3.4	.....	3.4
Rwanda	115.4	1.9	117.3
Sao Tome and Principe	5.5	.1	5.6
Senegal	444.9	23.7	468.6
Seychelles	19.6	.1	19.7

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY Continued

FISCAL YEARS 1946–87—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
D. Africa—Continued			
Sierra Leone	153.1	.3	153.4
Somalia	682.4	192.0	874.4
South Africa, Republic of—OSARAC	179.5	.....	179.5
Sudan	1,394.4	326.8	1,721.2
Swaziland	110.1	.2	110.3
Tanzania	422.5	.....	422.5
Togo	117.7	.4	118.1
Tunisia	1,091.6	668.1	1,759.7
Uganda	119.8	.3	120.1
Zaire	1,018.0	213.1	1,231.1
Zambia	412.4	.....	412.4
Zimbabwe	313.1	.9	314.0
Sahel Regional	260.6	.....	260.6
East Africa (Regional Dev. Office)	33.3	.....	33.3
South Africa, Republic of	32.2	.....	32.2
Africa Regional	909.0	8.9	917.9
E. Europe	29,280.0	18,715.8	47,995.8
Albania	20.4	.....	20.4
Austria	1,135.2	122.0	1,257.2
Belgium	592.3	1,275.2	1,867.5
Czechoslovakia	193.0	.....	193.0
Denmark	281.9	640.1	922.0
Finland	56.8	.6	57.4
France	3,918.1	4,548.6	8,466.7
Germany Democratic Republic of	.8	.....	.8
Germany, Federal Republic of	4,041.1	939.4	4,980.5
Hungary	32.7	.....	32.7
Iceland	82.1	.2	82.3
Ireland	231.5	.....	231.5
Italy	3,420.6	2,545.3	5,965.9
Malta	83.9	.5	84.4
Netherlands	1,027.6	1,284.7	2,312.3
Norway	301.8	943.8	1,245.6
Poland	704.6	.....	704.6
Portugal	1,169.3	1,147.3	2,316.6
Romania	22.4	.....	22.4
Spain	1,136.5	3,437.4	4,573.9
Sweden	109.0	.....	109.0
United Kingdom	7,672.1	1,107.4	8,779.5
U.S.S.R.	186.4	.....	186.4
West Berlin	131.9	.....	131.9
Yugoslavia	2,109.2	723.4	2,832.6
European Regional	619.0	.....	619.0
F. Oceania	949.9	121.4	1,071.3
Australia	8.0	115.6	123.6
New Zealand	4.3	4.3	8.6
Pacific Islands, Trust Territory of the	824.2	.....	824.2
Papua New Guinea	5.3	.3	5.6
Oceania Regional	108.1	1.2	109.3

U.S. ECONOMIC AND MILITARY ASSISTANCE—Continued

DETAIL BY REGION AND BY COUNTRY Continued

FISCAL YEARS 1946–87—Continued

[In millions of dollars]

Country	Economic assistance	Military assistance	Total
G. Canada	17.5	13.0	30.5
H. Interregional activities	47,247.1	4,432.9	51,680.0
Grand total	206,442.3	123,732.5	330,174.8

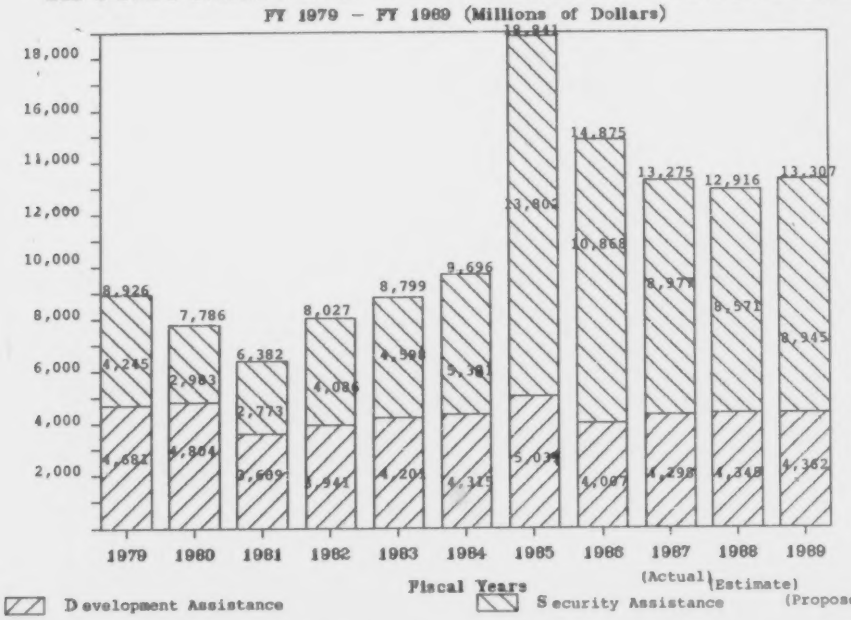
HISTORICAL APPROPRIATIONS FOR FOREIGN ASSISTANCE AND RELATED PROGRAMS

Appropriations for those activities authorized under the Foreign Assistance Act and related authorizing legislation comprise only a portion of the total U.S. foreign assistance effort. Food aid authorized under Public Law 480, for example, is a major foreign aid program omitted from this compilation. Nevertheless, programs funded through Foreign Assistance Act and related programs appropriations comprise the largest and most important part of that total effort. Therefore, the Committee presents a graph of Foreign Assistance Act and related programs appropriations for fiscal years 1979 through 1989.

A second graph on the following page shows this same information in constant dollars for fiscal years 1979–89.

APPROPRIATIONS FOR FOREIGN ASSISTANCE

FY 1979 - FY 1989 (Millions of Dollars)



Notes: Security Assistance consists of Military Assistance Program Grants, International Military Education and Training, Foreign Military Credit Sales, Indochina Postwar Reconstruction, Security Supporting Assistance, Economic Support Fund, Peacekeeping Operations, Middle East Special Requirements Fund, Relocation of Facilities in Israel, Sinai Support Mission, and Anti-terrorism Assistance.

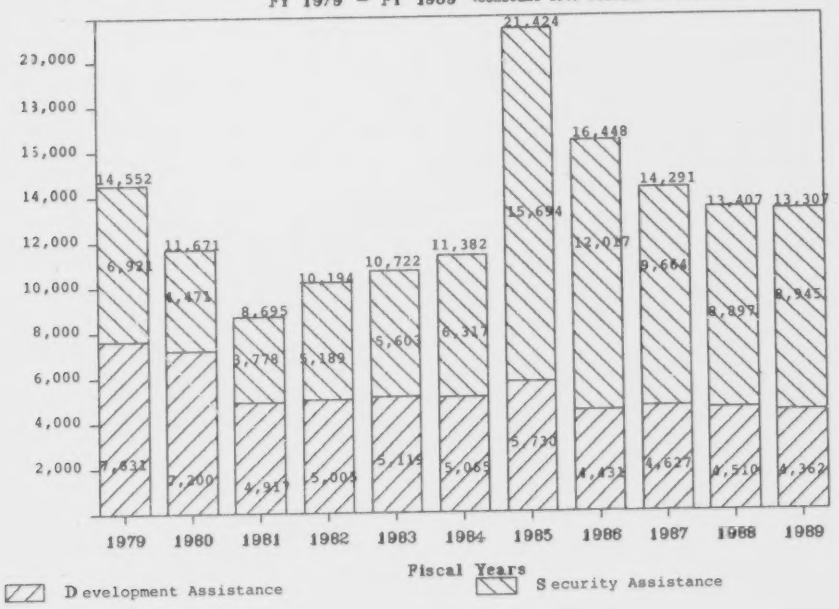
Development Assistance consists of Functional Development Assistance, International Organizations and Programs, International Financial Institutions, American Schools and Hospitals Abroad, International Disaster Assistance, Migration and Refugee Assistance, Peace Corps, Foreign Service Retirement Fund, International Narcotics Control, Contingency Fund, Operating Expenses and other assistance programs.

Development Assistance includes appropriations of callable capital for the Multilateral Development Banks: FY 1979 - $883 million, FY 1980 - $1,783 million. No funds were appropriated for callable capital in FY 1981 to FY 1988. Data excludes IMF Supplementary Financing Facility.

Detail may not add to totals due to rounding.

APPROPRIATIONS FOR FOREIGN ASSISTANCE

FY 1979 - FY 1989 (Constant 1989 Dollars in Millions)

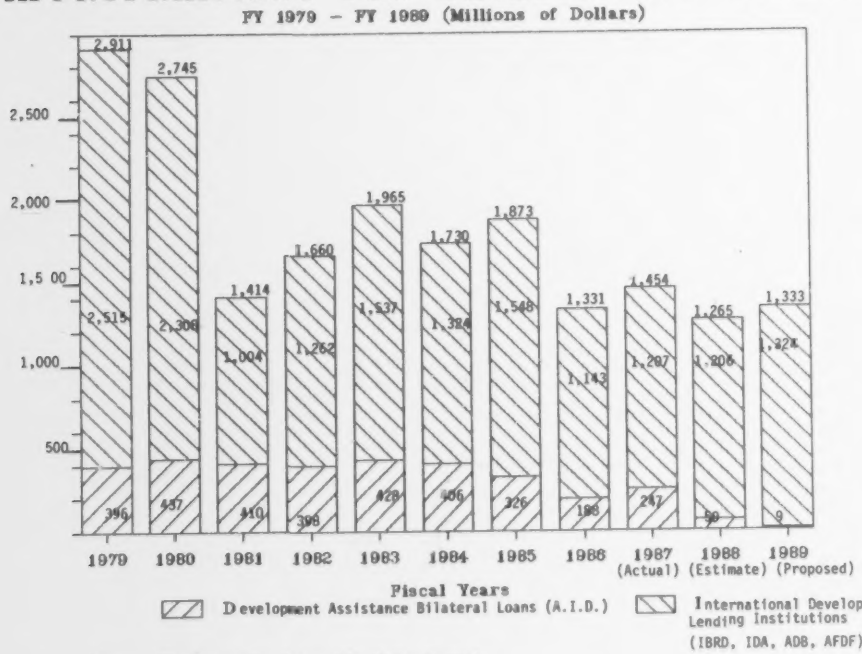


OVERALL DEVELOPMENT LENDING

The following graphs depict appropriations for both the bilateral and multilateral programs over the last 10 years in current and constant dollars.

APPROPRIATIONS FOR DEVELOPMENT LENDING

FY 1979 – FY 1989 (Millions of Dollars)

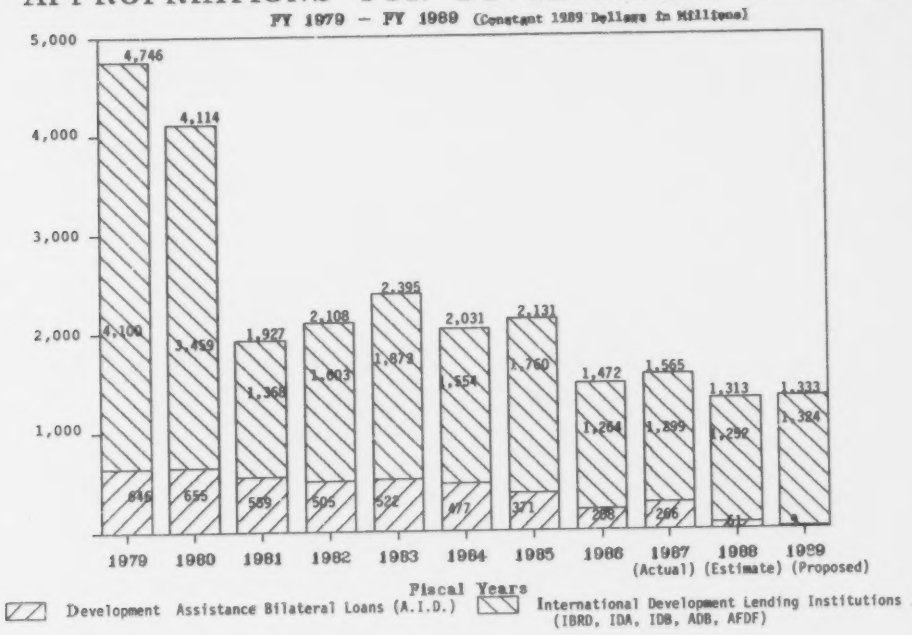


Source: The Agency for International Development

Notes:
Functional Development Assistance and Economic Support Fund were requested as all grant programs for FY 1989.

APPROPRIATIONS FOR DEVELOPMENT LENDING

FY 1979 – FY 1989 (Constant 1989 Dollars in Millions)



NATIONS MOST IN NEED OF ASSISTANCE

The following table lists the total dollar assistance per country of the Agency for International Development's program by ascending per capita gross national product. Also shown by this table is the cumulative percent of the Agency's program. Following the table is a map which is designed to show those countries most in need of assistance as measured in terms of their per capita gross national product.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT

[Dollars in thousands]

Country	GNP per capita (1986)	Fiscal year 1987		Fiscal year 1988		Fiscal year 1989	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Equatorial Guinea	(1)	$500		$850		$1,000	
Afghanistan	(1)	29,952		45,000		45,000	
Uganda	(1)	5,550		8,000		8,000	
Cambodian resistance	(1)	3,350		3,500		5,000	
Chad*	140	9,000		16,040		16,000	
Malawi	150	11,479		15,000		15,000	
Burkina*	150	1,581		2,500		2,500	
Bangladesh	160	84,235		58,500		54,500	
Zaire	160	29,550		33,000		33,000	
Nepal	160	15,034		12,000		12,000	
Guinea-Bissau	170			2,000		2,000	
Mali*	170	7,350		13,000		12,000	
Burma	200	8,000		7,000		7,000	
Mozambique	210	10,000		15,000		15,000	
Tanzania	220	12,000		8,000		10,000	
Madagascar	230	6,416		9,500		11,000	
Gambia*	230	8,499		3,500		3,500	
Togo	240	3,045		3,750		3,750	
Burundi	240	1,760		2,500		2,500	
India*	270	57,600		24,000		35,500	
Niger*	270	21,510		20,924		18,000	
Somalia	280	31,404		31,000		27,000	
Guinea	290	935		10,000		12,000	
Kenya	300	35,085		40,000		40,000	
Zambia	300	16,756		10,000		7,000	
Sierra Leone	310			500		500	
Rwanda	310	6,400		8,000		8,000	
Comoros	320	600		700		700	
Sudan	320	20,407		29,350		27,000	
Haiti	330	74,504		19,800		25,150	
Sao Tome	340	300		300		300	
Pakistan	380	275,500		270,000		300,000	
CAR	390	1,050		2,000		2,000	
Ghana	400	1,820		5,000		8,000	

See footnote at end of table.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT—Continued

[Dollars in thousands]

Country	GNP per capita (1986)	Fiscal year 1987		Fiscal year 1988		Fiscal year 1989	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Sri Lanka	400	23,504		26,800		26,800	
Mauritania*	420	1,800		3,000		3,000	
Senegal*	420	29,808		32,654		32,000	
Lesotho	420	10,580		10,000		10,000	
Subtotal		856,864	17.95	802,668	19.26	841,700	20.26
Liberia	450	26,657		21,000		17,000	
Cape Verde*	470	1,000		2,500		2,500	
Indonesia	510	85,785		40,000		45,000	
Bolivia	540	27,999		28,207		47,270	
Yeman	550	23,300		20,725		21,500	
Philippines	560	247,000		229,000		139,000	
Morocco	580	28,376		32,500		27,500	
Swaziland	610	8,373		7,000		6,500	
Nigeria	620			11,430		11,500	
Dominican Republic	710	19,637		32,526		45,318	
Cote d'Ivoire	720			500		500	
Egypt	730	819,558		820,000		815,000	
Honduras	740	173,457		125,000		127,000	
Thailand	810	21,525		20,300		21,000	
El Salvador	820	363,927		280,796		252,700	
Djibouti	(1)	2,033		3,415		3,200	
Subtotal		1,848,627	38.74	1,674,899	40.19	1,582,488	38.10
Botswana	840	5,471		9,500		8,000	
Jamaica	860	42,280		17,389		42,589	
Cameroon	910	29,255		20,000		18,000	
Guatemala	930	149,889		108,072		114,000	
Congo	1,040	500		500		500	
Turkey	1,120	100,000		32,000		70,000	
Peru	1,130	19,583		13,262		17,270	
Tunisia	1,150	17,511		10,000		12,500	
Ecuador	1,160	36,524		15,678		25,720	
Belize	1,200	12,690		7,400		9,400	
Mauritius	1,200	1,000		1,600		1,500	
Costa Rica	1,380	159,570		101,614		82,000	
Jordan	1,530	111,000		18,000		18,000	
Uruguay	1,710	12,152					
Lebanon	(1)	12,564				300	
Subtotal		709,989	14.88	355,015	8.52	419,779	10.11
South Africa	2,010	10,405		25,000		24,900	
Poland	2,070	1,000		6,775		3,225	
Panama	2,170	8,385		2,212			
Portugal	2,230	64,79		32,000		60,500	
Seychelles	2,800	2,375		3,000		3,000	
Cyprus	4,210	15,000		15,000		3,000	
Spain	4,360	5,000		3,000			
Ireland	4,840	35,000		35,000			

See footnote at end of table.

AGENCY FOR INTERNATIONAL DEVELOPMENT, TOTAL DOLLAR ASSISTANCE PER COUNTRY LISTED BY PER CAPITA GROSS NATIONAL PRODUCT—Continued

[Dollars in thousands]

Country	GNP per capita (1986)	Fiscal year 1987		Fiscal year 1988		Fiscal year 1989	
		Dollar level	Cumulative percent	Dollar level	Cumulative percent	Dollar level	Cumulative percent
Oman	5,000	14,982		13,000		15,000	
Israel	6,220	1,200,000		1,200,000		1,200,000	
Subtotal		1,356,946	28.43	1,334,987	32.03	1,309,625	31.53
Country program total		4,772,426	100.00	4,167,569	100.00	4,153,592	100.00
Noncountry programs		1,373,904		1,386,250		1,337,059	
Grand total		6,146,330		5,553,819		5,490,651	

[1] Estimates of GNP per capita from the World Bank.

NOTES

GNP per capita data from the World Bank.

Noncountry programs include regional programs, centrally funded programs, AID operating expenses, International Disaster Assistance, American Schools and Hospitals Abroad, HIG Reserve Fund, miscellaneous prior year accounts, miscellaneous trust funds, and deob/reob estimates.

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Nations Most in N

Per Capita Gross National Product
(1425 — 1635)

Country[1]	GNP Per Capita 1986	Country[1]	GNP Per Capita 1986
Liberia	460	Nigeria	620
Cape Verde*	470	Dominican Republic	710
Indonesia	610	Cote d'Ivoire	720
Bolivia	640	Egypt	730
Yemen	650	Honduras	740
Philippines	660	Thailand	810
Morocco	660	El Salvador	820
Swaziland	810	Djibouti	2/

1/ A.I.D. Assisted Countries.
2/ GNP Per capita estimates from the World Bank, 1986.

eed of Assistance

Non-Communist Countries with Per Capita Gross National Product of $425 or Less in 1986.

Source: ***1988 World Bank data.***

UNLIQUIDATED BALANCES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Below is a table showing the unliquidated balances of the Agency for International Development.

UNLIQUIDATED BALANCES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

(As of December 31, 1987)

[In thousands of dollars]

Development assistance:	
Functional development assistance: [1]	
Agriculture, rural development, and nutrition	2,075,862
Population planning	512,878
Health	511,356
Child survival	115,120
Education and human resources development	354,217
Selected development activities	453,427
Undistributed	(542,438)
Subtotal functional development assistance	3,480,422
American schools and hospitals abroad	29,945
Operating expenses [2]	117,198
Operating expenses, inspector general	7,443
Prototype desalting plant	2,187
International disaster assistance	58,252
Sahel development program [1]	206,155
Private sector revolving fund	40,379
Trade and development programs	25,514
Assistance to Portugal and Portugese colonies	8
Total, development assistance	3,967,503
Security assistance:	
Indochina postwar reconstruction	266
Security supporting assistance	20,780
Economic Support Fund	4,167,966
Middle East special requirements fund	2,838
Total, security assistance	4,191,850
Total unliquidated balances	8,159,353
Less: Accrued expenditures	1,110,931
Total Agency pipeline	7,048,422

[1] Includes local support costs (funds authorized to be used for selected operating expense and inspector general operating expenses in fiscal years 1986 and 1987).

[2] Excludes local support costs (funds authorized to be used for selected operating expense and inspector general operating expenses in fiscal years 1986 and 1987).

EXPROPRIATION CLAIMS

From time to time American citizens bring to the attention of the Committee actions taken by foreign governments which deprive them of real property, investments, or the means of earning their livelihood. Less frequently, but with some regularity, foreign governments or their agents approach the Committee asking that it intervene on their behalf to resolve disputes regarding claims brought by American citizens who allege that the foreign government has been involved in the expropriation of property and resources.

It often is extremely difficult for the Committee to ascertain the factual aspects of expropriation cases, quite apart from the sensitive political and foreign policy dimensions of these matters. Moreover, the resolution of such cases can require lengthy legal proceedings involving the judicial apparatus of both the United States and the foreign country. Clearly, the Committee must limit its involvement in such matters.

In the course of its action on the fiscal year 1987 supplemental appropriations bill, the Committee, together with its counterpart Committee in the House of Representatives, was presented with competing claims in one of the most contentious of expropriation claims ever to come before the Committee. The matter at issue was a very complex case involving the Government of Honduras and an American citizen. In their report the conferees expressed their belief that it is inappropriate for the U.S. Government or the Congress to decide the merits of the case or to establish levels of the appropriate compensation.

The conferees did, however, believe that it was incumbent upon them to act in a manner which would contribute to the resolution of the dispute. Therefore, in their consideration of this case, the conferees devised a process which this Committee believes offers a model for the treatment of future expropriation claims and counterclaims. A full exposition of that process may be found on page 47 of House Report 100–195 (the conference report on the Fiscal Year 1987 Supplemental Appropriations Act). In summary form, that the process provides:

One, an opportunity for parties to the dispute to resolve their differences through direct negotiations;

Two, a requirement that the parties, in the absence of a mutually agreed settlement, submit their differences to binding international arbitration; and,

Three, the withholding of funds until the disagreement is settled, either through direct negotiations or binding arbitration.

The Committee believes that this process might well serve as a model for its response to entreaties that it intervene in expropriation issues.

In order that it might consider appropriate responses to outstanding cases, the Committee directs the Department of State to prepare a report on the status of all pending expropriation claims of U.S. citizens and business enterprises. Included in this report should be a detailed explanation of what specific action has occured on those cases which have been enumerated in previous reports requested by the Committee. Where no action has occurred, an explanation should be given of that inaction.

PROHIBITION ON ASSISTANCE TO PANAMA

The Committee believes that strong measures must be taken to demonstrate the United States Government's commitment to democracy in Panama. Because of repressive measures taken by the Government of Panama [GOP] and the Panama Defense Forces [PDF] against the people of Panama, this Committee has eliminated Government-directed economic assistance and all military assistance. The Committee also eliminates Panama's sugar export quota to the United States. This quota will be redistributed to other sugar-exporting nations unless freedom of the press and other constitutional guarantees are restored to the people of Panama.

As a further response to the current political and human rights situation in Panama, the Committee directs the Departments of State and Defense to provide the Committee with a report within 90 days of enactment of this legislation which details the advisability of moving the United States Southern Command from Panamanian soil. It is clear that General Noriega has used the presence of SOUTHCOM in his country as an indication of U.S. military support for his rule. If that is the case, and General Noriega continues in power, serious consideration should be given to moving SOUTHCOM.

PHILIPPINES

The Committee's report on Foreign Assistance appropriations for fiscal year 1988 expressed the Committee's strong endorsement for the Aquino government. The Committee voiced its hope and expectation that through the democratic leadership of that government the Filipino people would begin the process of reconstruction made possible by the end of 14 years of martial law.

The Committee now reaffirms its view that the Aquino government is making a concerted effort to address the need for broadscale reform. The Philippine Government continues to make the hard economic, social, and political decisions necessary in order to achieve peaceful change in the context of equitable and self-sustaining growth. The Committee believes that the efforts of the Aquino government and the people of the Philippines deserve the support of the American people and the United States Government.

For that reason, the Committee has recommended the earmarking of $40,000,000 of development assistance funds, $124,000,000 of economic support funds, and $125,000,000 of military assistance funds for the Philippines.

The Philippines is a poorer country now than it was 5 years ago. An external debt of approximately $28,000,000,000 means that almost one-half of anticipated export earnings will be needed to finance debt service. To the extent that foreign exchange is used for debt service, it will not be available for activities and policies needed to achieve economic growth. The effective decapitalization of the Nation's infrastructure has left the Philippines with less electric power, less transportation capacity, and less communications for each Philippines citizen than 10 years ago.

At the time the Aquino government was elected, the Government of the Philippines owned the country's only airline, banks, steel mills, mining, shipping, and oil corporations. Government policies which had supported an import substitution strategy had created an inefficient import-dependent, and capital intensive urban-based industrial sector. This course had been pursued at the expense of the agricultural sector which suffered from years of neglect and policies which ensured that raw materials would not be provided for urban industry and that local demand would be inadequate to stimulate expending production. Increasingly, the rural population became disaffected with the government in Manila. State-controlled monopolies became a drain on scarce foreign exchange reserves. Inefficiency, waste, management, and corruption within the parastatals, and a concomitant demoralization of what had previously

been a dynamic private sector, earned the Philippines the appellation of the sick man of the Asia Pacific region.

Economic deterioration only hastened the growth of the Communist insurgency in the rural areas where the local population felt itself increasingly alienated from the central government. Mounting reports of corruption in Manila added to their frustration and fueled the cause of the insurgents. It is clear that the effects of this economic deterioration remain as a constant threat to democracy in the Philippines. When Mrs. Aquino assumed the presidency in February 1985, the insurgency numbered 22,000 (12,000 armed). Today it numbers 24,000 to 26,000 with between 14,000 and 16,000 armed. Approximately one-fifth of the country's villages, or barangays, are affected or influenced by the insurgents. By contrast, the armed forces of the Philippines numbers 155,000 in a country with a population of 57 million and which is comprised of 7,000 islands. It is clear to the Committee that, absent a continued and concerted effort to alleviate the underlying reasons for the disaffection of so many Filipino citizens, the future of democracy in this valuable ally and friend of the United States will be placed in serious jeopardy.

During the initial months of the Aquino Presidency, the government made substantial progress in laying the foundation for long-term economic growth by reversing policies which were antithetical to a free-market economy: monopolies were dismantled, price controls were removed, successful negotiations were completed on rescheduling the public and commercial debt, tax reforms were effected, and the government completed a comprehensive medium-term development plan and a new Public Investment Program.

Much, of course, remains to be done. The United States, Japan, West Germany, and other multilateral and bilateral donors are working with the Government of the Philippines to develop a comprehensive multi-year economic assistance package that will restore the Philippines and enable it to again become a leading participant in the economic growth of the Asian region. The Committee hopes that the Philippines will take the lead in developing an assistance program which addresses both the needs of the Filipino people and which realistically takes into account the capacities of the donor community to provide such assistance.

Moreover, it is clear that the Government of the Philippines must be more assertive and take significant steps to ensure that it is more than just a passive player in these development efforts.

For example, the government could convene a conference of development experts to bring their expertise to bear on the nation's problems and further help it to define economic requirements. The government could also explore with the donor community imaginative ways in which the tremendous debt burden facing the Philippines might be eased.

In sum, the Committee believes that only through such a concerted effort can the economic and social progress that has been initiated by the Aquino government be sustained. It is also evident that without the development of this foundation, no amount of military assistance will be sufficient to arrest the growth in the insurgency.

Base rights negotiations.—The United States and the Government of the Philippines are currently engaged in negotiations concerning renewal of the agreement under which the United States maintains six installations in the Philippines, including Clark Air Force Base and the Subic Bay Naval Base. There is much discussion of the amount of assistance the United States should provide to the Philippines in the context of a renewed base rights agreement. The Committee believes it should be noted that with the funds earmarked for fiscal year 1989 by the Committee, the United States will have more than satisfied its best efforts pledge of assistance under the current renewal period. In this sense, it should be noted that the level of United States assistance has been responsive to growing needs in the Philippines and not to some fixed, predetermined amount of rent.

The Committee is concerned over reports of the status of the current discussions over the renewal of the bases agreement. The figures it has heard attributed to purported demands of the Philippines Government would be well in excess of the ability and willingness of the Committee to support. The Committee is also concerned about legislation now being considered by the Philippines Congress which would ban port calls by nuclear-powered ships, overflights or landings by aircraft carrying nuclear warheads, and the storage of nuclear weapons. Enactment of such legislation could not help but cause the Committee to reexamine the role of the United States in the Philippines. These problems are not intractable and it is the fervent hope and expectation of the Committee that they will be resolved to the mutual benefit of both Governments and peoples.

Agrarian reform in the Philippines.—The new Philippines Constitution mandates the implementation of an agrarian reform program. Such a program is viewed by many as fundamental to addressing the economic and social bases giving rise to the Communist insurgency. Planning for the agrarian reform program is still in its formative stage, however the cost appears to be considerable. Donor support for the program awaits the completion of these plans. Without prejudging the technical merits of the agrarian reform program, the Committee, nonetheless, recognizes the political and social benefits that may result. For that reason, in fiscal year 1988 the United States earmarked the use of $50,000,000 of ESF assistance in support of the program. The Committee notes that the legislative process in the Philippines has progressed so that an agrarian reform law has now been enacted. The Committee reserves comment on the legislation until it has had an opportunity to study it and benefit from the insights of the administration, the Philippines Government, and others in the Philippines most closely familiar with the changes it will bring. It is anticipated, however, that assistance provided by the United States would not be used for compensation of owners but would be used to assist the Philippines Government in providing the necessary ancillary services (credit, infrastructure) required, if an agrarian reform program is to succeed.

Similarly, development assistance funds earmarked for the Philippines could also be used in support of the agrarian reform program. Of course, health, family planning, and other development activities would not be precluded and could be supported by the development assistance earmarking. To be clear with respect to the Committee's earmark of development assistance funds, it is the Committee's intention that these funds may be derived from any functional account and that such funds may be used for any of the purposes of the provision regardless of the account from which they were derived.

Cooperatives and private and voluntary organizations.—The Committee is earmarking $1,000,000 for assistance for cooperatives and private and voluntary organizations in the Philippines. As in fiscal year 1988, where possible, such assistance is to be provided in conjunction with projects using local currencies generated by the sale of Public Law 480 and section 416 commodities. The Committee believes that the earmarked funds can be an important tool in helping the cooperative movement in the Philippines, including the increasing the availability of credit in the rural sector.

Military assistance to the Philippines.—The Committee also is earmarking $125,000,000 in military assistance for the Philippines. Communist insurgents are waging a destructive war of attrition against the elected government of the Philippines. Infrastructure is being destroyed and those in the countryside who wish to give the Aquino government time to turn the country's economy around are being made to suffer. It also has become clear to the government that the armed forces of the Philippines have legitimate needs for equipment and other necessities that have not adequately been met. The Committee believes that adequate support for the professional military will decrease reliance on those paramilitary groups which have abused the basic human rights of their fellow citizens. The Committee holds the view that the professional military, the armed forces of the Philippines which fostered the return of democracy to the Philippines, must be provided with the resources with which to bring the rural insurgency to a conclusion so that the process of economic and political democratization may continue. It is for this reason that we have recommended the earmarking of military assistance funding for the Philippines.

ENVIRONMENTAL PROVISIONS

Instructions for additional environmental reform have been held to a minimum in this appropriations bill. The Committee's top priority is to encourage the implementation of reforms called for in last year's legislation.

This year the Committee has addressed several major areas of concern with respect to natural resource issues and the activities funded in the bill. The Committee has worked for the past few years to improve environmental considerations in development projects and expects that future funding will be subject to compliance with title I of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988, Public Law 100–202.

Pursuant to the requirements of section 537(h) of Public Law 100–202, MDB projects likely to have adverse effects on the environment, natural resources or indigenous peoples are monitored through collaboration between the Treasury and State Departments. The U.S. Agency for International Development's early warning system, which identifies such projects early in the project cycle, lists 32 upcoming MDB loans in their April 1988 list that may have adverse effects on the environment or indigenous peoples.

The Committee considers the implementation of environmental legislation to be vitally important to the future operations of the Banks.

The U.S. Treasury Progress Report to Congress in January 1988 on implementation of environmental reform in MDB's lists 14 provisions of section 539 of Public Law 99–591 with which the banks have not yet fully complied. The Committee looks for additional progress, particularly in enhancing environmental review of projects, consulting with local community groups and nongovernmental organizations in borrowing countries, and in increasing the proportion of environmentally beneficial loans.

The Committee notes with particular concern, the delay in implementing environmental reform at the World Bank. On May 5, 1987, the President of the World Bank announced extensive reforms to the environmental capacity of that institution. This announcement was essential to the fiscal year 1988 appropriations decision. These reforms are only partially implemented despite the fact that over a year has elapsed since their announcement. Loans are continuing to be made without being subject to the environmental review envisioned by this Committee and described in May of last year. The Committee will not tolerate delay in developing adequate environmental expertise or in fully implementing the reforms announced on May 5, 1987.

Debt-for-nature swaps

The Committee is aware that progress has been made regarding debt-for-nature swaps. The Committee urges the World Bank to explore the establishment of a pilot program with at least one country that has a debt-for-nature program or is committed to starting one. Such a pilot project, as was suggested in the Secretary of the Treasury's report on debt-for-nature swaps, could draw on the financial and environmental expertise of the Bank in structuring and implementing a debt-for-nature program.

Loans for tropical forest and wetland protection

In accordance with the recommendations of the Treasury report, the Committee recommends that the Bank analyze prospects for making new loans available specifically for tropical forest and wetland protection and offer technical assistance associated with the startup of debt-for-nature programs.

The recent reforms at the InterAmerican Development Bank [IDB] are a step toward instituting adequate environmental review. Of special note is the suspension of the Porto Velho-Rio Brancho highway loan and efforts to reform this project. The Committee commends the new President of the IDB for his leadership in directing ongoing negotiations to include environmental mitigation as a condition for lifting the suspension of the loan. The Committee notes the precedent-setting steps taken by the IDB in giving indigenous peoples and others affected by the project a voice in shaping further implementation. We urge the IDB to insist on the timely implementation of these environmental criteria before the suspension is lifted.

The Committee continues to be concerned about the lack of progress in developing in-house environmental science expertise at the IDB. In addition, special emphasis should be placed on fully integrating environmental criteria throughout the decisionmaking process at this institution. Finally, the IDB needs to implement a loan review process that assures critical environmental review will be given to every potential loan. Special attention should be given to assessing the capacity of the Environmental Management Committee to serve as the IDB's primary environmental review mechanism and to restructuring this mechanism.

AID biological diversity

We view with concern dispersal of the responsibility for coordination of biological diversity dollars. Measurable effects of the congressionally pressured commitment to biodiversity in promoting the long-term support necessary for sustainable development are just being gained. While in-country mission support for both direct assistance and local currency funds for protection of biodiversity should be encouraged, dismantling the responsibilities to mission personnel with little or no experience in biodiversity protection will likely dilute the program's effectiveness. Restarting the biodiversity program through the country mission will slow the development of functional examples of ecosystem conservation. It will also undercut the long-term support necessary to develop local organizations which can produce overviews of biogeographic information.

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To document the progress in implementing the congressionally mandated Biological Diversity Program, the Committee directs AID to submit an annual report on the implementation of this program. In addition, the Committee directs the Agency to devleop, in consultation with domestic and international experts, criteria for measuring the effectiveness of the Biological Diversity Program. These criteria and how they are being met shall be addressed in the annual reports to the Congress required by section 634(a) of the Foreign Assistance Act.

The Committee expects the Agency for International Development to commit at least $4,500,000 toward biological diversity in fiscal year 1989. The Committee is pleased with AID's commitment last year to ensure that $4,500,000 was used for these purposes, and is enthusiastic about the progress AID is making toward preserving biological diversity in developing countries.

The Committee is concerned about the rapid loss of endangered species and understands that the world faces the prospect of losing up to a quarter of the Earth's plant and animal species in the next few decades due to destruction of habitat.

The Committee is concerned that AID ensure that its own actions do not jeopardize the continued existence of any endangered or threatened species. Section 7 of the Endangered Species Act, 16 U.S.C. 1536, requires Federal agencies to consult with the Department of the Interior to make sure that their actions do not have this effect. AID's environmental regulations require it to assess the effects of its actions on endangered and threatened species, but they do not require consultation with the Interior Department. The Committee directs AID to report on the feasibility of consulting with Interior on this pressing issue.

Convention on International Trade in Endangered Species [CITES]

The Committee supports the diligent work of CITES in regulating the import and export of plant and animal species endangered by trade, and feels that CITES plays a critically important role in worldwide conservation efforts by ensuring that animal imports and exports occur only after a review reveals that the taking of a specimen will not be detrimental to the survival of the species.

Accordingly, the Committee has provided $650,000 for the U.S. contribution toward this effective organization.

Conservation data centers

The Committee recognizes that the loss of biological diversity is a serious global problem with irreversible consequences, and has in the past appropriated money for and directed the Agency for International Development to promote and protect biological diversity. The Committee also recognizes the importance of an enhanced early warning system operated by AID in conjunction with the Secretaries of the Treasury and State, and encourages AID to involve host country nongovernmental organizations fully in the pursuit of these goals.

The Committee is encouraged by the development of conservation data centers in Latin America. Conservation data centers are centralized

data bases containing information on the range and location of natural biological diversity within a country. In Latin America and in the Caribbean there are currently eight operational centers in Costa Rica, Panama, Colombia, Peru, Bolivia, Paraguay, Venezuela, and The Netherlands Antilles. The Committee understands that Guatemala, Brazil, and Mexico are expected to operate them as well, before the end of the year.

Accordingly, the Committee directs AID, as part of its compliance with the early warning system and in biological diversity efforts, to consult the best available scientific information, including conservation data centers. Similarly, the Committee directs the Secretary of the Treasury to instruct the U.S. executive directors of the MDB's to promote the effective use of these conservation data centers.

Committee on Health and Environment

The Committee has included bill language that directs the Agency for International Development to take steps to implement recommendations set forth in the Committee on Health and Environment report on opportunities to assist developing countries in the proper use of agricultural and industrial chemicals. These recommendations include suggestions that AID increase its use in integrated pest management [IPM] as an alternative to pesticide use in developing countries, with the goal of making IPM its primary pest management approach.

Medfly eradication in Central America

The Committee expects that the Agency for International Development will submit the environmental assessment on medfly eradication efforts in Central America in June 1988. The Committee intends to look closely at AID's environmental assessment in consideration of further action on this issue.

Global climate change

The Committee recognizes that carbon dioxide buildup is causing a significant change in the global environment. The Committee is concerned that approximately 20 percent of the carbon dioxide in the atmosphere is coming from the developing world, and that the largest potential increase in carbon loading is in developing nations. Accordingly, the Committee believes that steps should be taken to minimize the buildup of carbon dioxide in the atmosphere from development projects.

The efficient use of energy is a key step toward reducing the conversion of carbon to gaseous form. Development projects which have a significant energy impact should consider the costs and benefits of alternatives such as increased energy efficiency, energy conservation, and renewable energy resources. Such alternatives should include renewable fuels, solar, wind, biomass, and improving efficiency of transportation and use.

In addition to the Committee's concerns about global climate change associated with the burning of fossil fuels, the Committee believes that conservation and the wise use of energy resources are essential to promoting sustainable development. For these reasons, the Committee

has directed the Secretary of the Treasury to instruct the U.S. executive directors to the multilateral development banks to adopt an energy conservation and efficiency policy, including emphasis on energy efficient transportation policies and programs.

Similarly, the Committee has directed the Agency for International Development to report on ways it can promote the use of renewable energy resources overseas and make conservation and renewables a centerpiece of AID's energy policy.

Transportation

The Committee recognizes the crucial role that transportation plays in development. At the macroeconomic level, many developing countries spend over one-half of their export earnings on petroleum. At the societal level, women in many developing countries often spend over one-half their waking hours walking to gather fuelwood and water.

Accordingly, the Committee requests that AID report on ways to enhance development with low-cost, nonmotorized forms of transportation for such activities as farming, food processing, transport of water and fuelwood and reforestation.

The Committee has also received testimony concerning the overemphasis on the private automobile in World Bank transportation lending. The Committee believes that transportation lending by the multilateral development banks should provide maximum benefits to the vast majority of poor people whose lives could be eased by improved public transit and nonmotorized forms of transportation, with greater emphasis on the most energy-efficient forms of transportation.

Accordingly, the Committee has included bill language that directs the banks to reorder transportation lending priorities so that energy efficient modes of transportation and the needs of the poor receive the greatest attention.

Executive branch instructions

The Committee is concerned about the delay in issuing voting criteria designed to protect fragile, highly productive, diverse or unique natural areas. We urge the Treasury to expedite the issuance of guidelines on wetlands and identify other ecosystem types which merit similar environmental review criteria. Additional criteria shall be developed on classifications of projects such as large impoundments of waterways and investment in energy generation, transportation and utilization projects. Criteria for energy projects shall include, but not be limited to, assessments of alternatives such as conservation, alternative fuels, and end use efficiency.

In addition to developing votes instructions designed to protect sensitive environmental areas, the Committee directs the Treasury to develop voting instructions to minimize forceable relocation of indigenous peoples. These instructions shall include an identification of compensation criteria to be required as a condition for an affirmative U.S. vote.

The World Bank's recent publication of "Policy Guidelines on Involuntary Resettlement in Development Projects," is commended. We urge

the Bank to formally adopt these guidelines. The U.S. Executive Director is directed to call for a review of the Bank's program to implement these guidelines.

The Committee is concerned about the development of tropical forest fueled pig iron smelters in the World Bank Carajas project area. This process will likely cause massive deforestation and subsequent environmental degradation which does not comply with the environmental mitigation requirements of the loan. Such massive deforestation is likely to have significant regional and international consequences. As loan disbursements are completed, the U.S. Executive Director is directed to seek alternative measures to leverage compliance with the contracted environmental provisions. If, within 4 months of the enactment of this provision, substantial progress in implementing the Carajas environmental management provisions has not been demonstrated, the U.S. Executive Director to the World Bank is directed to seek delay in consideration, and if necessary, oppose future loans to Brazil. The Department of the Treasury shall inform the appropriate congressional committees of the criteria it will use in making this determination within 3 months of enactment of this legislation.

Despite the enactment of authorizing legislation in the last session of Congress requiring the U.S. Executive Directors to the MDB's to "vigorously and continuously promote * * * full availability * * * of full documentary information concerning details of design and potential environmental and sociocultural impacts of proposed loans" public access to MDB documents is unacceptably restrained. The public continues to be denied adequate access to basic MDB documents which set out country development strategies, describe the design of proposed projects and evaluate the effectiveness of completed projects. If the MDB's continue to refuse to release these key documents, the Treasury should make them available. Accordingly, the Committee directs the Secretary of the Treasury to make available these categories and documents to the public beginning 1 year from the date of enactment of this act if the MDB's have not reformed their information policies to provide such information directly by that date.

The U.S. Executive Director to each regional bank is directed to seek the updating of economic modeling techniques used in decisionmaking to assure that environmental values are accounted for. As part of this effort, each Executive Director shall, at a minimum, raise for consideration the techniques contained in the World Bank April 1987 publication, "Environmental, Growth and Development" and conduct an assessment of the capability of current economic assessment current models to adequately consider environmental criteria. The Department of the Treasury shall report on these assessments and actions taken by each Executive Director to implement these reforms to the appropriate committees of Congress by February 1. 1989.

Finally, the Committee is disappointed with the lack of progress in securing support from other donor nations in calling for the environmental reform. Despite repeated directions from this Committee, in-

adequate progress has been made in implementing this objective. The Committee directs the Department of State, in consultation with the Department of the Treasury and AID, to report by January 30 on the actions taken to date, and achievements, to promote other donor nations to call for environmental reform of each MDB.

STINGERS

Stinger is a shoulder-fired, low altitude air defense missile system. It is a highly portable weapon system, which can provide a low-cost air defense capability to many U.S. allies in developing nations.

Since Stinger sales were first proposed in 1984, Congress has expressed concern that these systems could be transferred to terrorist groups from nations which receive the weapon from the United States. Several administration requests to sell Stinger to foreign countries have been rejected by Congress. In response to congressional concern, the administration has repeatedly assured this Committee, and others, that all Stinger systems provided to foreign countries would be handled with certain safeguards to prevent unauthorized handling.

The Committee is concerned that this effort has created an illusion that Stinger weapons provided to foreign nations remain under the positive control of officials of the United States. Recent investigations by the Committees on Appropriations and Budget reveal that this is not the case.

Once Stingers are transferred to foreign nations, the U.S. Government loses effective control over the weapon system. Indeed, the attributes which make Stinger an effective air defense weapon effectively preclude the U.S. Government from retaining positive control over the weapon once transferred to a foreign military.

In order to provide informed advice and consent on foreign military sales, the Senate must have a realistic appraisal of not only plans to safeguard man-portable weapon systems, but also the very real limitations of proposed safeguards. It is not in the interest of Congress or the executive branch to maintain an illusion that Stinger systems can remain under the control of the U.S. Government if this is not the case.

The Committee believes that the State Department must make a better effort to ensure that the very real limitations on our ability to safeguard Stinger weapons is understood by the Congress before congressional review of future proposals to transfer Stinger systems abroad. Therefore, the Department of State is directed to submit by October 30, 1988, a report to the Committee on Appropriations specifically addressing the limitations of safeguarding Stinger missile systems supplied to foreign nations.

Qatar

The Committee strongly believes that Stinger missiles should be adequately safeguarded and sufficiently protected. These missiles are potentially the ultimate terrorist weapon and the United States cannot afford to have Stingers obtained by unfriendly organizations or govern-

ments. Reports indicate that Iran and hostile factions in Lebanon may have acquired Stingers. The State Department confirms that the Government of Qatar has illegally obtained Stingers and will not cooperate with the United States to facilitate the return of these missiles. The Committee firmly condemns the illegal acquisition of Stingers by the Government of Qatar and recommends the prohibition of future arms sales to Qatar until the missiles are returned.

The Committee has amended section 566, which prohibits the administration from providing in any matter Stinger antiaircraft missiles to any country other than Bahrain under the buy-back provision in the Persian Gulf region, by extending the provision of this section through fiscal year 1989.

WOMEN IN DEVELOPMENT

The Committee commends the Agency for International Development for its progress in carrying out the mandate of section 113 of the Foreign Assistance Act to promote the integration of women in the national economies of their countries. In particular, the Committee appreciates the drafting of policy guidelines on women in development in 1982 calling for specific strategies to involve women based on sound analysis of gender roles.

While acknowledging that progress has been made, the Committee also believes, however, that additional steps need to be taken to implement to 1982 policy guidelines, and that, in particular, more specific goals need to be set or achieving progress. After 15 years of effort, the involvement of developing country women in AID-sponsored activities has still not reached the numbers of importance justified by women's social and economic roles in their families, communities, and countries.

The Committee is particularly concerned, in these times of tight budget constraints, that the Agency is missing opportunities for greater efficiencies in its programs. When African women produce over 80 percent of the continent's food supplies but receive only 20 percent of AID's agricultural training and assistance, our aid is not being employed to greatest advantage.

The Committee, therefore, directs AID in the design of country strategies, projects, and programs to seek to ensure that the percentage of women participants will be in approximate proportion to their traditional participation in the targeted activities or their proportion of the population, whichever is higher. This involvement of local women should extend to the planning, design, and evaluation, as well as the implementation phases of AID programs. In the event achieving these goals is not immediately possible, the Agency should cite the obstacles and enumerate the steps that will be taken to overcome those barriers. To the extent that steps are not being taken to remove or overcome obstacles the Agency should cite why such steps are not being taken.

The Committee is concerned that women currently comprise only about 25 percent of trainees, and believes the same goal should apply to women participating in training programs.

The Committee believes that a serious gap now exists in Agency programs, that is, a lack of coverage of girls in the approximate age group of 5 to 15. The Agency is directed to increase participation of young girls in its education and training programs, to use incentives to encourage host countries to include girls in their programs and to consider withholding assistance for programs which do not include girls as equal participants. If the Agency is unable to fulfill this directive, it

must report to the Congress on the reasons why this policy cannot be carried out.

The bill provides not less than $5,000,000 for the Agency's efforts to involve women as equal partners in the development process in developing countries. Of this amount, at least $3,000,000 is to be made available through the Women in Development Office as matching funds in support of the women in development efforts of the Agency's field missions. They may be used for leveraging technical assistance buy-ins by missions or as other means of leveraging funds. The Committee wishes to emphasize that these matching funds are meant to complement and encourage spending for women in development activities of various AID programs—not substitute for that spending. The overall objective of the Committee remains the integration of women into the mainstream programming of all Agency programs.

Further, the Committee believes several steps should be taken to enhance the analytical and operational capacity of AID staff to achieve the above goals. To this end, the Committee directs AID to speed up its plan to provide training for all Washington and mission-based policy, program, and project staff who would provide guidance on strategies for achieving the goal of involving women in the planning, design, implementation, management, and evaluation of AID's development activities. Universities, other U.S. Government agencies, and contractors involved in carrying out programs administered by the Agency should be included in the Agency training process, wherever feasible.

Second, in order to enhance the analytical capacity of the Agency in differentiating gender roles, staff and contractors should be instructed to collect, analyze, and use sex-disaggregated data in all country, program, and project documents and research papers. Similarly, project and program evaluations should include assessments of the project or program's impact on women and success in involving women. In the event sex-disaggregated data are not being collected, analyzed, and used, the Agency should indicate the reasons why.

Also, the Committee directs the AID Administrator, in consultation with senior-level staff in decisionmaking positions in each of the regional and technical bureaus, to develop and submit to Congress by March 1, 1989, a plan for implementing the women in development policy discussed herein. The plan should cover, but not necessarily be limited to, steps to: assist Agency missions to develop strategies for involving women in all phases of development activities; ensure that staff at all levels are held accountable for achieving the goals discussed above; establish specific criteria for measuring and evaluating the Agency's performance in achieving women in development goals; and institutionalize learning within the Agency on women in development activities.

AID is directed to report no later than March 1, 1989, and every second year thereafter, on steps taken by the Agency to implement these provisions.

ASSISTANCE FOR WAR VICTIMS

The Committee notes that civil conflicts overseas claim the lives of tens of thousands of civilians every year. In addition to those who have died, many more, including women and children, have suffered disabling injuries. Because many of these conflicts are occurring in the poorest countries in the world, often the victims cannot obtain the treatment they need to lead productive lives.

One of the most frequent causes of these injuries is land mines. According to the International Committee for the Red Cross, 5,000 Mozambicans have lost limbs from land mines. In Angola, the number of amputees is 20,000, and in Vietnam, 66,000. In El Salvador, 2,000 people have lost limbs. In fiscal year 1987, the Agency for International Development initiated a pilot program in El Salvador to provide artificial limbs to amputees. Although small in scale, this program has enabled more than 500 Salvadorans to walk again.

The Committee is concerned that AID has no established program to aid civilians seriously injured in civil conflicts overseas. The Committee believes that such a program is desperately needed and would be consistent with the humanitarian objectives of the Foreign Assistance Act. Accordingly, the Committee has earmarked up to $5,000,000 of the fiscal year 1989 "Development" and "Economic Support Fund" accounts for treatment of the most seriously injured victims. Because of the large number of amputees, the Committee recommends that the maximum amount of these funds that can effectively be spent be used for prostheses in El Salvador, Mozambique, and Vietnam.

Because of the unusual nature of this problem, the Committee has given AID flexibility to spend these funds in countries where existing law may prohibit the expenditure of development assistance, such as Vietnam. The Committee encourages AID to allocate not less than $1,000,000 of these funds for purposes consistent with the humanitarian needs of the type outlined by the 1987 mission to Vietnam led by General Vessey. The Committee has learned of the favorable results of AID's contract with the Third World Prosthetic Foundation to provide these prostheses. This nonprofit, private foundation has developed a low-cost, durable, and easy-to-fit artificial limb that has been extremely successful in the pilot program in El Salvador and is adaptable throughout the developing world.

REPROGRAMMING AND INITIATION OF NEW PROGRAMS

The Committee's responsibilities require that it be fully informed as to the nature, funding level, and location of each activity, program, project, type of material assistance, or other operation for which funds are appropriated in this bill. Moreover, the Committee must be able to inform the Senate of the amounts of assistance proposed for each country and regional program.

Any activity, program, project, type of material assistance, or other operation specifically set forth by amount to be obligated in fiscal year 1989, and by country in the fiscal year 1989 congressional presentation document shall be deemed to have been justified and the Committee informed. Conversely, any activity, program, project, type of material assistance, or other operation not specifically set forth by amount to be obligated in fiscal year 1989, and by country in the fiscal year 1989 congressional presentation document shall be deemed not to have been justified and the Committee not informed. In addition, any matter specifically deleted by the Committee in this report shall be deemed not to have been justified for purposes of reprogramming requirements. Also, the Committee has directed in its bill that for certain countries any assistance to be provided in fiscal year 1989 be notified in advance of obligation.

In furtherance of the Committee's oversight responsibilities, it directs that the departments and agencies concerned notify the chairman and ranking minority member of the Subcommittee on Foreign Operations 15 days in advance of the initiation of any activity, program, project, type of material assistance, or other operation which was not specifically set forth by amount to be obligated in fiscal year 1989 and by country in the fiscal year 1989 congressional presentation document. In addition, notification should also be made before substantial changes are made in the amounts specified for such activity, program, project, country, type of material assistance, or other operation in the congressional presentation document for obligation in fiscal year 1989.

Moreover, the Committee expects to be informed about any reductions or cancellations of projects or programs presented in the congressional presentation document. Whenever possible, the Committee should be notified in advance of any reduction or cancellation; at a minimum, the Committee expects to be informed about such reductions or eliminations on a quarterly basis. These quarterly reports should be submitted to the chairman and ranking minority member of the Subcommittee on Foreign Operations.

The Committee last year expressed its concerns for maintaining the integrity of the reprogramming process and ensuring that it had necessary and sufficient information to fulfill its obligations to the Senate. After 10 years without amending its reprogramming procedures, the Committee agreed to incorporate changes into its reprogramming requirements in the spirit of comity between the Congress and the Executive. It should be clearly understood, however, that this Committee will defend the power of the purse; reprogramming authority is a privilege granted for the purpose of achieving more orderly and more efficient government. Should this privilege be abused, the Committee will revoke it and restore more stringent controls in the reprogramming process.

Therefore, in light of the previous discussion, and in order to bring greater relevance to the reprogramming process, the Committee restates the changes in procedure which were implemented in fiscal year 1988:

One, within 30 days from the date of submission of the report required by section 653(a) of the Foreign Assistance Act, the Department of State and AID will each submit a report to the Committees on Appropriations, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives, of proposed obligations for the current fiscal year. AID will prepare the report required for Development and Economic Support Fund assistance, the State Department will be responsible for the military assistance report. Each report will be in tabular form and will provide, to the extent this information is known at the time the report is prepared, current information on proposed obligations for the fiscal year.

For AID, this means that the report may update life-of-project and fiscal year funding levels, as well as noting changes in the grant or loan portions of its portfolio, and changes in the accounts from which a project is proposed for funding. For the Department of State, this means that the report will provide, on a country-by-country basis, the current list of MDE which the Department of State proposed to provide in fiscal year 1989.

In each case, the report will designate which items deviate from the congressional presentation.

Two, 15 days after receipt of the report, all items (except those individual items about which the Committees may have questions) which have been designated as differing from the congressional presentation will be considered as having been justified to the Congress. The report will become the basis on which to determine whether any future reprogramming notifications will be necessary.

Three, obviously, not all changes in project funding will be known at the time these global reports are submitted. For those projects or programs, the report may just restate the congressional presentation figures and other fiscal detail, and the CP will, in effect, continue to serve as the basis for reprogramming notifications. Similarly, until such time as the report is submitted to the Committees, the congressional presentation will continue to be the basis for reprogramming actions. Of course, the requirements to submit reprogramming notifications for new proj-

ects (that is, projects not identified in the congressional presentation vice new projects which are included and fully described in the CPD) and projects where substantial changes are being proposed remain unchanged.

In addition to the above changes, the Committee has included in the bill an exception to previously enacted reprogramming requirements for AID. Where the proposed funding for a development assistance project would cause the fiscal year obligation level to be increased by less than 20 percent of the amount previously justified to the Congress for that year (with no increase in life-of-project funding except as noted below), no reprogramming notification is required. The Committees have had an opportunity to review these projects in the past. The amount of flexibility being offered by this provision will provide the agency with the ability to make relatively small fiscal year funding adjustments for projects that have previously been considered by the Committees.

The Committee is making one additional adjustment to its reprogramming requirements. AID has a practice of often incrementally funding its projects. It has been the practice of the Committees to require reprogramming notifications whenever the previously authorized life-of-project funding level for a project is proposed to be exceeded. In an attempt to cut down redundant paperwork, without sacrificing the needs of the Committee to oversee the activities of AID, the Committee is requiring notification for only those proposed life-of-project increases of $5,000,000 or greater. This would be in addition to any proposed life-of-project increases designated in the new report required by the Committee.

The Committee is making similar adjustments to the reprogramming requirements as they bear on security assistance programs. The Committee proposes new bill language which will require notification of intended reprogrammings in each case where assistance to any country or regional organization is in excess of the amount previously justified or where the proposed MDE transfer is 20 percent in excess of the quantities previously justified.

Finally, the Committee wishes to inform all other agencies, bureaus, and departments for which funds are provided in the foreign assistance, export financing, and related programs appropriations bill (that is, all except AID and programs administered by the Defense Security Assistance Agency [DSAA]) that it will maintain current reprogramming requirements. It is possible the Committee will provide revised procedures for reprogrammings by other entities once it has had an opportunity to review the operation of the changes it is now making for AID and DSAA. It is the Committee's hope that these revised procedures will cut down by a significant degree the time and costliness of the present reprogramming process while, at the same time, better enabling the Committees to more effectively exercise their oversight responsibilities. If both of these goals are not met, the Committee may find it desirable to make further changes.

TITLE I

MULTILATERAL ECONOMIC ASSISTANCE

Multilateral Development Banks

U.S. Interests in Participation in MDB's

The United States continues to be a strong supporter of the multilateral development banks [MDB's], allocating roughly 15 percent of our foreign economic assistance budget for these organizations. In return, based on an annual contribution of about $1,400,000,000, the United States plays a leading role in determining the direction of about $22,000,000,000 in annual MDB lending to developing countries around the world. The bulk of the loans go to countries of importance to the United States, many of which do not receive assistance through our bilateral aid program, such as Argentina, Brazil, and Mexico.

As such, the MDB's are a major source of financial and technical assistance to low-income countries and they play the important role of intermediaries in the flow of market capital to middle-income countries. In addition to their role as channels of development finance, they are central sources of policy advice, technical services and development research, and focal points for aid-donor coordination.

Alongside the International Monetary Fund, the MDB's—the World Bank Group, with its global perspective and expertise in macroeconomic and structural reform, and the regional banks, with their infrastructure and sectoral emphasis—serve as the major operating agencies in the Western market-oriented cooperative economic system. Increasingly, coordinating the activities of these international agencies with United States and other bilateral aid programs is proving essential to the efficient use of aid funds and the overall management of the economies of developing countries.

International Debt Issues

In addition to carrying out fundamental development activities, MDB—and particularly World Bank—attention continues to focus on the heavily indebted middle-income developing countries because of the impact that their severe financial and economic problems could have on the international economy. Restoring growth for low-income countries in sub-Saharan Africa is considered no less important, although the impact that their economies could have on the economy of the world is smaller. Nevertheless, the costs of a further decline in the per capita incomes of sub-Saharan countries are very high in terms of their effect on the poor.

Debt remains a major constraint for developing countries. It is clear that this barrier to development must be overcome before they can resume meaningful progress in the areas of health, education, transportation, sanitation, resource management, population growth, the role of women, and other vitally important sectors.

Even the implementation of the eighth replenishment of IDA alone will not solve the problem. A review of country cases indicates that an additional $1,500,000,000 annually is needed during 1988–90 to provide for the resumption of import growth and some modest growth in per capita GDP and consumption while maintaining debt service payments at a manageable level. The continued generous treatment in rescheduling of official debt through the Paris Club will remain an essential component of any realistic international effort to assist these countries in coping with their economic and financial burdens.

For these countries, continued progress in the adoption of sound domestic policies is imperative if there is to be any hope of restoring economic and fiscal health. About two-thirds of the debt-distressed countries already are undertaking adjustment programs supported by the international community under the leadership of the World Bank with the strong support of the African Development Bank. These efforts have shown a meaningful degree of progress.

Continuing role for the MDB's.—Together with the IMF, the World Bank and the regional development banks have an essential role to play in efforts to address the debt problems of developing countries. Clearly, programs of macroeconomic and structural reform must remain the basic tool for addressing these problems. To one degree or another, the economies of all the heavily indebted countries must strengthen the role of the private sector and their reliance on market forces. Where countries are willing to sustain programs of reform, the MDB's should be in a position to support programs of macroeconomic and structural reform with substantial lending.

The overriding challenge to the MDB's in all developing countries, both middle and low income alike, is the requirement to ensure that available resources are allocated efficiently—for economically productive purposes—and that financing programs are carefully coordinated among the public and private members of the international financial community.

Enhancement structural adjustment facility [ESAF].—The Foreign Operations Subcommittee welcomes the recent establishment by the IMF of the enahnced structural adjustment facility [ESAF] and believes that the ESAF can play an important role in alleviating the situation of the poorest countries and facilitating development as well as promoting closer cooperation between the IMF and World Bank. The bulk of the nearly $8,500,000,000 in resources for the new facility will be used to provide assistance on highly concessional terms to the poorest countries in Sub-Sahara Africa in support of their efforts to implement needed economic reforms. At the urging of the United States, a major share of the financing for the ESAF is being provided appropriately by those

countries which have balance of payments surpluses and strong financial positions and thus are in the best position to undertake this effort. The United States continues to be a significant contributor of foreign aid to Sub-Saharan Africa, both bilaterally and through the international institutions. The Committee believes that the United States should participate actively in the operations of the ESAF, including loan decisions, in light of its past and ongoing efforts in Africa. Although to date the United States has not contributed to the facility, the Committee would be prepared to appropriate moneys for a direct U.S. contribution as soon as practicable.

Trade Practices of Countries Which Receive Multilateral Development Assistance

In light of increased foreign trade deficits and unemployment in import sensitive industries, the Committee directs the Treasury Department to instruct U.S. representatives to the multilateral development banks, and the International Monetary Fund, to oppose and vote against loans which would subsidize development of export industries in countries which receive loans from these institutions and which are engaged in dumping or other unfair trade practices with the United States.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Appropriation, 1988	$40,176,393
Budget request, 1989	70,915,283
House allowance	
Committee recommendation	70,915,283

The administration has requested $70,915,283 in budget authority and $2,292,927,540 in callable capital for 1988 general capital increase of the International Bank for Reconstruction and Development [IBRD]. The administration's request consists of:

	Budget authority	Callable capital
1988 general capital increase	$70,915,283	$2,292,927,540
Total fiscal year 1989 request	70,915,283	2,292,927,540

HISTORY AND BASIS OF U.S. PARTICIPATION

The World Bank formally began its operations in 1946 with 38 members. It was established as a result of the Bretton Woods Agreements to help restore economies disrupted or destroyed by war, to encourage the development of productive facilities and resources in developing countries, and to promote long-range balanced growth of international trade. Since the successful reconstruction of Europe, Bank operations have centered almost entirely on the developing world. Indeed, its membership has more than tripled with the emergence of new nations in the Third World.

PROGRAMS AND POLICY DIRECTIONS

The Bank's charter spells out certain basic rules that govern its operations. It lends only for productive purposes and it acts to stimulate economic growth in the countries where it lends. It is obliged to pay due regard to the prospects of repayment. Each loan is made to a government or it must have a governmental guarantee. The Bank cannot specify that proceeds of the loan must be spent in any particular member country. The Bank's decisions to lend must be based only on economic considerations. In addition, the operating rules of the Bank require that the economic, social and environmental consequences of a project be carefully examined as each loan appraisal is made. The IBRD has specific policies for ensuring that projects use appropriate technology, benefit the poorest sectors of the population to the maximum possible extent, and do not finance products in global surplus. IBRD loans also

encourage economic reforms, such as realistic pricing policies and privatization programs.

The World Bank's capital is subscribed by its member countries. However, it finances the bulk of its lending operations with borrowings from private capital markets. Its loans generally have a grace period of 5 years and are repayable over 20 years or less. The loans are directed toward developing member countries, and generally to those at relatively more advanced stages of economic and social development.

The Bank's policies and programs continue to emphasize its central role as a catalyst for economic development and as a leader in poverty reduction. In recent years, it has focused an increasing amount of its lending on policy-based programs aimed at economic adjustment and growth and trade liberalization among developing countries. At the same time, the Bank has maintained a flow of funding for project lending, particularly in the agriculture sector. It also is emerging as an important advocate for environmental protection and population planning as well as women's concerns in the development process.

JUSTIFICATION FOR FUNDING

The operations of the World Bank serve a broad range of U.S. national interests. Its lending to developing nations support specific foreign policy objectives that we have in key countries—countries that are important to the United States for political, economic, or national security reasons. The operations of the Bank contribute to the strength and flexibility of the global economy as a whole.

The World Bank is a particularly cost effective channel for U.S. economic assistance. Other nations contribute approximately 80 percent of its capital and the bulk of its loans are financed from borrowings in private capital markets, based on the callable capital subscriptions of its members. This leveraging of paid-in capital permits the United States and other member countries to hold down the budgetary costs of their participation in development programs.

COMMITTEE RECOMMENDATION

The administration's request for fiscal year 1989 funding of the World Bank represents the first of six installments of the proposed U.S. contribution to the $74,800,000,000 general capital increase [GCI] of the Bank's resources. Negotiations for what will be the third general capital increase in the World Bank's history were concluded on February 19, 1988. Paid-in capital subscriptions for this increase will be 3 percent of the total, with the remaining 97 percent being in the form of callable capital.

The U.S. subscription over the 6-year period of the replenishment of resources was negotiated at 18.75 percent of total subscriptions; a share which implies an annual percentage request of $70,100,000 for the paid-in portion of the GCI. The Committee notes the well-established principle that U.S. participation in replenishments of the resources of the multilateral development banks is subject to the congressional authoriza-

tion of the subscription to contributions and is specifically made subject to the appropriation of necessary funds.

The Committee recognizes the achievements of U.S. negotiators in securing substantial improvements in the policies and directives which will govern the allocation of resources under the GCI. We also recognize that the administration has come to an appreciation of the need to preserve the World Bank as an effective instrument in preserving the open and stable economic and financial system which finds its origins in the Bretton Woods Conference.

The Committee also recognizes the substantial accomplishments of the World Bank's new President, the Honorable Barber B. Conable. Under his direction and leadership the IBRD has made major reforms in its lending practices and in its personnel and administrative structures. The World Bank has responded to criticism from the United States and other donors, from the community of groups interested in environmental matters, and from the developing countries themselves. The Committee believes that the World Bank is on the threshold of a new approach to economic and social development, one which employs the lessons learned from 40 years of involvement in development economics and which has a better appreciation of the complexities of change. It is an approach which seeks to join the scientific knowledge of the economist and the engineer at headquarters with the heuristic understanding of the farmer tilling the soil of his ancestors. It is an approach which deserves the support of the United States.

The Committee would note that U.S. participation in the GCI is not yet authorized by the Congress. Nonetheless, we believe it important to signal U.S. support for this increase. We would note that, to date, 140 of the Bank's 151 member governments have ratified the GCI. The United States stands among the small minority of 11 member countries which have not yet taken a stand. They are: Algeria, Cambodia, Libya, Mauritania, Qatar, Rwanda, United Arab Emirates, United States, Viet Nam, and Yemen, PDR.

This is not a list on which the United States should be proud to be included.

The Committee believes that U.S. participation in the GCI will demonstrate the readiness of the United States to continue to play a significant role in the world's foremost international financial institution. Participation will strengthen the U.S. position in policy discussions regarding the Bank activities and development issues in general.

Moreover, it has been noted that in the absence of a U.S. contribution, the United States would be unable to retain the 15 percent of the vote needed to veto any unwanted changes in the Bank's articles of agreement. The Committee has been informed that, if the rest of the membership subscribes the GCI shares in five annual equal installments, and the United States does not subscribe, the U.S. voting power would decline to 14.5 percent as early as September 1990, and to 11.2 percent by September 1993. The United States would lose its veto—an event which could be very damaging to U.S. interests.

The Committee recommends the appropriation of $70,915,283, the full amount requested as the first installment of the U.S. contribution to the World Bank general capital increase.

Tables reflecting historical U.S. contributions to the World Bank, as well as the current replenishment of these resources, follow:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ACTUAL U.S. SUBSCRIPTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Paid-in	$7,223.3	$1,524.2	21.10
Callable	79,034.0	15,866.1	20.08
Total	86,257.3	17,390.3	20.16

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$2,999.3	$658.3	21.9	$599.7	91.1
Callable	41,032.5	8,149.3	19.9	[1]7,484.6	91.9
Total	44,031.8	8,807.6	20.0	8,084.3	91.8

[1] Subscribed subject to a program limitation; in the event a call were necessary, appropriations would still be required.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Appropriation, 1988	$915,000,000
Budget request, 1989	958,333,333
House allowance	995,000,000
Committee recommendation	931,176,717

HISTORY AND BASIS OF U.S. PARTICIPATION

The International Development Association [IDA] is the concessional lending affiliate of the World Bank. It was established in 1960 to provide concessional lending to low-income developing countries. Its origins lay in the recognition that, for many of the poorest countries, private capital and existing aid arrangements were not adequate. It was also recognized that the World Bank, which had led the multilateral aid effort after World War II, could not lend to the poorest countries without damaging its own credit position in international capital markets. Furthermore, the low-income countries could ill afford to take on loans carrying high interest rates and short maturities to finance projects with long payback periods and earning little or no foreign exchange.

It was our Government which officially proposed the establishment of IDA in 1959. The proposal was endorsed by the Bank's Governors at the annual meeting that October. The new institution was envisaged as a separate legal entity within the Bank, which would, as an affiliate of the Bank, operate under the Bank's management and share the same staff and procedures. Since IDA initially was capitalized at $1,000,000,000, its resources have been replenished seven times.

PROGRAMS AND POLICY DIRECTIONS

IDA makes long term, interest free loans to countries which are characterized by widespread poverty, an underdeveloped resource base, and limited creditworthiness. It has become the most significant channel of concessional development assistance to countries which meet these criteria.

Initially, IDA financed mostly large physical infrastructure projects, which were thought to be fundamental to further development. As more was learned about the development process, IDA recognized that transfers of resources and economic growth would not automatically improve the living standards of the poor.

Thus, the second decade of IDA operations emphasized agriculture, rural and urban development, and improvement in human resources. By the end of the 1970's, the share in annual commitments of those

projects had risen to 53 percent, compared with 32 percent in the 1960's. Also, IDA increased the proportion of its lending for the poorest countries and for poor people within recipient countries. Greater efforts were made to bring poverty issues into macroeconomic discussions and sectoral work.

Negotiations for the eighth replenishment of IDA resources (IDA VIII) were conducted during 1986, the outcome of which was a replenishment of $12,400,000,000 for the 3-year period beginning in July 1987.

Very few of IDA's resources have gone to countries with per capita annual incomes above the $500 level with the overwhelming proportion, in fact, going to countries with per capita annual incomes below $400. Under IDA VIII, the practice of concentrating on the least advantaged countries will continue. As a result, it was agreed that 50 percent of the IDA VIII replenishment should go to sub-Saharan Africa, if warranted by progress on structural adjustment programs. While relative poverty and population size have continued to be important criteria for allocation of resources, additional emphasis is being placed on economic performance. Between $3,000,000,000 and $3,500,000,000 of IDA VIII resources are to be used in support of structural adjustment programs.

Past IDA credits were provided for a 50-year maturity period with 10 years grace. As part of the IDA VIII agreement, maturities will be reduced to 40 years for the least developed IDA recipients and 35 years for other recipients. While no interest is charged, an administrative service fee of 0.75 percent is applied on disbursed and outstanding balances along with a 0.5-percent commitment fee on the undisbursed portion of IDA credits.

JUSTIFICATION FOR FUNDING

The long-term trend for the poorest countries continues to be troublesome and conditions in sub-Saharan Africa are particularly disturbing. While problems in other regions are not as acute, other IDA eligible countries also face serious development challenges. Many of these countries have been taking adjustment measures while at the same time attempting to cope with extremely difficult external accounts situations. All of these countries have very low per capita income levels and in many cases, extreme poverty among the people, especially in the rural areas. These countries are not creditworthy and therefore must rely on the concessional funds which are provided through IDA and other channels.

The U.S. contribution to IDA is an important aspect of international efforts to address the intractable problems of the low-income countries. The specific measures agreed upon at the IDA VIII negotiations respond to U.S. concerns in these countries. By assigning the highest priority in resource allocation to countries in sub-Saharan Africa, supporting the policy reform process by committing roughly 25 percent of IDA VIII resources for policy-based lending, promoting market-oriented policies, the development of private sector, and privatization, and con-

tinuing to address the directly poverty-oriented sectors, IDA is carrying out the developmental objectives of the U.S. Government in a cost-effective way.

More generally, U.S. participation in IDA contributes to our national interests by working to align the poorest countries, with their vast resources and populations and strategic positions, with the Western market oriented economic and security framework.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $931,176,717 as the second installment of the U.S. contribution to IDA VIII.

Tables reflecting historical U.S. contributions to the International Development Association, as well as the current replenishment of IDA, follow:

INTERNATIONAL DEVELOPMENT ASSOCIATION

ACTUAL CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Contribution	$43,579.8	$11,743.0	27.0

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
7th replenishment	$8,750	$2,250.0	25.0	$2,250.0	100.0

INTERNATIONAL FINANCE CORPORATION

Appropriation, 1988	$20,300,000
Budget request, 1989	35,032,000
House allowance	20,300,000
Committee recommendation	13,209,000

The administration's request for the International Finance Corporation [IFC] in fiscal year 1989 is $35,032,000 for the third of five installments to the second capital increase.

HISTORY AND BASIS OF U.S. PARTICIPATION

In the late 1940's, it was recognized that providing essential infrastructure alone was not sufficient incentive to private sector investment and growth in developing countries. The IFC was conceived as a mechanism to further economic development in developing countries by encouraging the growth of productive private investment and savings.

The IFC, an affiliate of the World Bank, started in 1956 with 31 member countries and an authorized capital of $100 million. Membership in the World Bank is a prerequisite for membership in IFC, although legally and financially, IFC and IBRD are separate entities. The IFC has its own operating and legal staff, but draws upon the Bank for administrative and other services.

PROGRAMS AND POLICY DIRECTIONS

The first 20 years of IFC's existence were characterized by conservative financial practices, as it acquired investment experience. During its first 5 years, IFC lent only $51,000,000, mostly to manufacturing and processing enterprises. In 1961, IFC began to make equity investments, and in 1965, IFC's Articles of Agreement were amended to permit borrowing from the IBRD (subject to general limit of four times its own unimpaired subscribed capital and surplus), which has allowed increased IFC lending in addition to equity investment.

In 1977, the United States proposed and gained approval for a capital increase of $480,000,000 for IFC which resulted in a considerable expansion of IFC's activities. The program included a greater focus on investment in poorer developing countries, especially in Africa and Asia. The Corporation also took a more active lead in helping to increase production of basic food commodities, and to improve processing and storage facilities.

In 1985, IFC launched the current Five Year Program covering fiscal years 1985–89, funded by a capital increase of $650,000,000, to further expand assistance to the private sector in member countries. The program expects 435 project approvals in fiscal years 1985–89, a 53-percent increase over the 282 approvals during the fiscal years 1979–83 pro-

gram. Total IFC investment in current dollars is projected at about $4,400,000,000, more than double the $1,900,000,000 in fiscal years 1979–83. This level of investment of the IFC is projected to result, through syndications and other cooperative arrangements with the private sector, in a gross investments total $7,400,000,000 during 1985–89.

The current Five Year Program emphasizes several initiatives. Capital market development will help build the institutions in developing countries needed to mobilize domestic savings. Implementation of a corporate restructuring program will reorganize and streamline weak companies to help them adapt to changing economic conditions due to adjustment programs or changing market conditions. A larger share of IFC's resources will go to sub-Saharan Africa, with emphasis on small and medium-scale business.

JUSTIFICATION FOR FUNDING

The IFC is an important multilateral mechanism for encouraging private enterprise. The IFC has undertaken an investment program that is consistent with the direction and emphasis that the United States has encouraged. Equitable economic growth in developing countries, if it is to be sustained, must have a strong private sector that can respond to market forces and take advantage of investment opportunities. IFC's activities, which act as a catalyst in attracting financing to developing countries and stimulate private capital flows, support and foster private enterprise in developing countries.

The IFC's emphasis on sub-Saharan Africa is especially important because Africa poses special problems for a strong private sector. The public sector dominates, technical and managerial skill is weak, domestic markets are limited and infrastructure needed for the growth of private companies is lacking. In this context, the IFC is an important influence in that it is able to invest its own staff time and resources in projects and initiatives which are expensive to the Corporation but have promise of success.

COMMITTEE RECOMMENDATION

The Committee favors full funding of the administration's request for funding of the International Finance Corporation. However, we are operating this year under severe budgetary constraints and must allocate available resources sparingly. Because the IFC is in such sound financial condition, it's need for resources is somewhat lower than that of other MDB's. Therefore, the Committee recommends the appropriation of $13,209,000.

INTER-AMERICAN DEVELOPMENT BANK

Appropriation, 1988	$58,635,371
Budget request, 1989	
House allowance	
Committee recommendation	

The administration did not make any fiscal year 1989 request for funding of the Inter-American Development Bank [IDB]. The House-passed bill also did not provide funding for the Inter-American Development Bank. The Committee recommendation is to defer payment of arrearages and any possible contribution to a further replenishment of IDB resources until such time as negotiations on a seventh replenishment of IDB resources [IDB–7] are concluded.

Reference should be made to the Committee's fiscal year 1988 report on appropriations for foreign assistance for an historical appreciation of the creation and evolution of the Inter-American Development Bank.

Negotiations for the 1987–90 seventh replenishment of IDB resources have reached an impasse. During protracted negotiations it was not possible to reach agreement on a major increase in IDB resources. The primary stumbling block was the U.S. proposal to give donor countries (which provide over 95 percent of the IDB's usable resources, but only have 47 percent of the vote) a larger role in the decisionmaking process.

Additionally, discussions focused on a number of reforms and administrative changes which the administration proposed and which this Committee has supported. In particular, the Committee believes that IDB lending must be in support of well-conceived country development strategies in order that each loan may be weighed not only on its particular merits, but also how well it supports an integrated approach to economic and social development.

The Committee is encouraged by the actions of the new President of the IDB, the Honorable Enrique Iglesias. The new President has embarked on a program of reform and reevaluation of the entire portfolio of the Bank's lending as well as its administrative and personnel structures. The Committee is strongly supportive of these actions and believes that they will lead to both a rebirth of the IDB as a dynamic participant in Latin American development and to the restoration of a productive partnership between the United States and its neighbors in the Western Hemisphere. Consequently, the Committee would welcome a reopening of negotiations on the seventh replenishment—much of the work has already been done and it would be useful to have a replenishment agreement prepared to be placed before the Congress in the opening days of the 101st Congress.

Tables reflecting historical U.S. contributions to the Inter-American Development Bank, as well as the current replenishment, follow:

INTER-AMERICAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS/CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Paid-in	$2,600.1	$856.9	33.0
Callable	31,482.3	10,924.7	34.7
FSO	8,363.4	4,606.9	55.01
Total	42,445.8	16,382.5	38.6

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$668.3	$232.0	34.7	$168.6	72.8
Callable	14,180.8	4,923.9	34.7	:4,804.5	97.6
FSO	702.6	290.0	41.3	200.6	69.2
Total	15,551.7	5,445.9	35.0	5,173.9	95.0

:Subscribed subject to a program limitation: in the event a call were necessary, appropriations would still be required.

ASIAN DEVELOPMENT BANK AND FUND

Appropriation, 1988	$43,057,220
Budget request, 1989	146,070,000
House allowance	232,832,609
Committee recommendation	146,070,000

The administration has requested the appropriation of $146,070,000 for fiscal year 1989, all of which is to be contributed to the Asian Development Fund [ADF]. The Committee recommends the appropriation of the full amount requested.

Asian Development Bank

HISTORY AND BASIS OF U.S. PARTICIPATION

In the early sixties the Asian countries felt that a multilateral development bank was needed to serve their specific needs. The Asian countries decided at the outset that Western support, particularly from the United States, was critical for the bank's success. In 1965, the United States administration offered its support for creation of the ADB as part of a larger program of increased economic aid for Asia.

Twenty-two countries concluded negotiations on the articles of agreement for the Bank in December 1965. The United States obtained authorizing legislation the following March and ratified the articles on August 16, 1966. The Asian Development Bank came into existence on August 22, 1966, and made its first loan in 1968.

PROGRAMS AND POLICY DIRECTIONS

Since 1968, the Asian Development Bank [ADB] has played an important role in developing the industry, nonfuel minerals, transportation, communications, and agriculture sectors of its developing member countries. Social infrastructure lending has also become an important focus of ADB lending in the 1980's. This includes water supply systems, housing projects, educational, and health projects.

The major borrowers from the Bank since 1968, have been Indonesia, the Philippines, Korea, Thailand, Pakistan, and Malaysia.

The ADB has been heavily involved in helping to address the economic and financial problems of the Philippines. The ADB was the first major donor to make funds available to the new Aquino government, and continues to work closely with key economic policy officials. Policy reform, such as in the restructuring of public sector entities and the financial sector, has been a key element of ADB discussions with the Government of the Philippines.

The majority of ADB loans in its member countries have been for traditional project lending. During the period 1981–85, 72 percent of commitments were for project loans. However, the Bank has become increasingly involved in sector and program lending. The Bank is moving to play a greater role in policy reform and private sector development in countries in the region.

JUSTIFICATION FOR FUNDING

The Asian Development Bank is important in Asia in promoting the type of market-oriented development policies that the United States has urged developing countries to adopt. Many of the major borrowers already have a strong appreciation of the role of the private sector in the development process. Countries such as Korea, Malaysia, and Thailand, with their emphasis on market-oriented policies and relatively open markets, serve as a model not only for their poorer neighbors, but for the developing world as a whole.

The United States has a fundamental interest in the economy and security of the Asia and Pacific region. Major ADB borrowers include several countries (Philippines, Thailand, Pakistan, Korea) which are allied with the United States. These borrowers also receive significant amounts of bilateral aid from the United States.

Countries such as the Philippines and Indonesia are facing one of the most difficult periods of their recent economic history and need outside financing if they are to establish conditions for stable growth. In addition to financial support, the Asian Development Bank provides these countries economic policy advice. The United States has urged the Bank to expand its policy dialog with these countries and to use its lending to support economic reform programs. In the Philippines, this is of particular significance to the prospects for success and stability of democracy and, consequently, United States interests.

COMMITTEE RECOMMENDATION

There is no request in fiscal year 1989 funding of the Asian Development Bank. There are no arrears in U.S. contributions to prior replenishments and there is no current replenishment agreement.

Asian Development Fund

HISTORY AND BASIS OF U.S. PARTICIPATION

Prior to the establishment of the ADF, concessional lending operations administered by the ADB were funded through contributions provided by individual bilateral donors. The terms of such contributions were not uniform, and the administration and use in loan operations proved increasingly difficult. With the progressive expansion of these concessional lending operations, it became necessary to mobilize special funds resources on an organized and regular basis. Therefore, in 1974, agreement was reached among donor countries for the establishment and funding of the ADF as a single and unified fund. There are no

separate voting arrangements concerning ADF decisions; the Bank's Board of Directors makes those decisions.

PROGRAMS AND POLICY DIRECTIONS

ADF lending has been in roughly the same sectors as Bank lending, with an emphasis on project-lending. However, as with the ADB, emphasis on policy reform in the context of ADF lending will also increase.

Major borrowers from the ADF have been Bangladesh, Pakistan Sri Lanka, and Nepal and these countries will continue to take the bulk of ADF resources in the near future.

JUSTIFICATION FOR FUNDING

The poorer Bank members, those that receive ADF money, have suffered a deterioration in their terms of trade in recent years as a result of depressed commodity prices. They have relatively low per capita GNP's, rapidly growing populations, and limited productive capacity, all of which combine to constrain their ability to mobilize domestic savings. They must rely heavily on foreign capital inflows to finance domestic investment, and this reliance will continue in the foreseeable future as they face mounting debt obligations.

For many South Pacific developing member countries, the ADF is the major multilateral lender. The development of these countries has been constrained by small size, dependence upon commodity exports, slow development of human resources, and susceptibility to cyclones and other natural disasters. These countries have been hit hard by the decline in commodity prices.

The United States has particularly important economic and security relations with the four major ADF borrowers: Bangladesh, Pakistan, Nepal, and Sri Lanka. Economic growth and stability for these countries are key U.S. goals in the region. Therefore, United States contributions to the Asian Development Fund add to the development of a region which plays an important and sensitive role in our international, economic, and security affairs.

COMMITTEE RECOMMENDATION

The Committee recommends full funding of the administration's request of $146,070,000.

Tables reflecting historical U.S. contributions to the Asian Development Bank, as well as the current replenishment follow:

ASIAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS/CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Paid-in	$2,289.9	$338.8	14.8
Callable	16,052.0	2,374.7	14.8
Asian Development Fund	9,663.8	1,413.4	14.6
Total	28,005.7	4,126.8	14.7

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$404.7	$66.2	16.3	$51.1	77.2
Callable	7,688.8	1,256.8	16.3	[1]980.4	78.0
Asian Development Fund	3,204.6	520.0	16.2	447.1	86.0
Total	11,298.1	1,843.0	16.3	1,478.6	80.2

[1] Subscribed subject to a program limitation; in the event a call were necessary appropriations would still be required.

AFRICAN DEVELOPMENT FUND

Appropriation, 1988	$75,000,000
Budget request, 1989	105,000,000
House allowance	105,000,000
Committee recommendation	105,000,000

The Committee recommends the appropriation of $105,000,000 for the African Development Fund [AFDF].

HISTORY AND BASIS OF U.S. PARTICIPATION

The AFDF was established in 1972 by the African Development Bank and 15 nonregional governments to provide financing on concessional terms to the Bank's members. The United States was not among the original nonregional members, but joined in 1976 with an initial commitment of $15,000,000.

The purpose of the AFDF is to assist the Bank in making an effective contribution to the economic and social development of its African members and to promote cooperation among them. The operations of the AFDF closely complement those of the African Development Bank. The AFDF is the soft window of the Bank, providing financing for projects on highly concessional terms of 50 year maturities including a 10-years grace, and a 0.75-percent service charge.

Membership in the AFDF has increased substantially since its establishment. Twenty-five governments are donors, including most OECD members, several OPEC countries and a number of middle-income developing countries including Argentina, Brazil, India, Korea, and Yugoslavia.

PROGRAMS AND POLICY DIRECTIONS

AFDF annual lending has expanded from 17 loans totaling $47,000,000 in 1974 to 60 loans for projects and studies in 1986 totaling $586,000,000. Through 1986, the AFDF had made loans to 44 members for a total of $3,500,000,000. Major borrowers in 1986 were Sudan, Ethiopia, Zaire, Uganda, Chad, and Kenya. The vast bulk of loans go to countries with a per capita income below $550, and over one-half goes to countries below $350. Lending has emphasized agriculture, transportation, public utilities, industry, education, and health. Projects most often attempt to address the basic needs of the poor, emphasizing jobs and improved living conditions.

During the 1980's, about 5 percent of commitments were for nonproject loans. Nonproject lending was initially limited to sector and rehabilitation schemes and provided support for policy reforms already

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in place. However, operations are being extended now to support broader economic reforms often in conjunction with other donors including IBRD/IDA. The AFDF intends to increase funding to the poorest countries in its traditional sectors, giving attention to agriculture and rural development and emphasizing food self-sufficiency. The fund also will promote projects that improve economic cooperation and trade among African countries, emphasizing multinational projects, environmental protection, and women in development.

JUSTIFICATION FOR FUNDING

The poorest countries of Africa, which the African Development Fund serves, require concessional financing for their investment programs and to support their economic adjustment efforts. The African Development Fund has been an effective channel for supporting development projects, particularly those which benefit the poorest segments of society. It is now increasing its emphasis on structural and sectoral policies of the countries it lends to and its success in these areas is promising. Continued U.S. financing for the fund supports economic stability for an area of strategic importance to us while also extending humanitarian assistance to the poor of the region.

The Committee again wishes to emphasize the degree to which international debt burdens inhibit the development of African nations. By draining economic resources needed for development purposes and natural resource restoration, capital outflows to meet debt servicing requirements erode the capacity of African nations to protect the natural resource base. Furthermore, the need to service debt by forcing an emphasis on foreign exchange earning export production to the detriment of production for domestic consumption.

African debt has expanded more rapidly in recent years than that of any other region. Low-income African countries, have little capacity to generate the foreign exchange necessary to meet debt service obligations in a timely manner and—at the same time—maintain even existing levels of economic growth and living standards and sustainable natural resource management.

The debt of low-income African countries is unique in that it is overwhelmingly owed to official rather than private creditors, and new private capital is generally unavailable to these countries. Therefore, the Committee reiterates its belief that the United States should move quickly to alleviate more effectively the contemporary debt service burdens of low-income countries in sub-Saharan Africa.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of the full amount requested by the administration for fiscal year 1989 contributions to the African Development Fund. Our recommendation is based on the interlocking relationship of the need of African nations for increased flows of concessional lending and the administrative initiatives within the African Development Bank to embark on structural and sectoral policies which encourage appropriate economic policy reforms.

The Committee recommends the appropriation of $105,000,000.

Tables reflecting historical U.S. contributions to the African Development Fund, as well as the current replenishment follow:

AFRICAN DEVELOPMENT FUND

ACTUAL CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Contribution	$3,750.2	$475.0	12.7

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
4th replenishment	$1,461.0	$225.0	15.4	$150.0	66.7

AFRICAN DEVELOPMENT BANK

Appropriation, 1988	$8,999,371
Budget request, 1989	8,999,371
House allowance	8,999,371
Committee recommendation	8,999,371

The administration is requesting the appropriation of $8,999,371 for fiscal year 1989.

HISTORY AND BASIS OF U.S. PARTICIPATION

The African Development Bank [AFDB] was established in 1963 to make loans on near-market terms for the economic and social development of its African members. The AFDB's lending activities are financed mainly through the paid-in capital subscriptions of member countries and borrowings in international capital markets.

In the first 20 years the Bank was organized and capitalized entirely by African countries. The United States and other nonregionals joined the AFDB in late 1982 and 1983. The Bank membership currently consists of 75 countries, 50 African members, and 25 nonregionals, including the United States, Japan, Canada, and most of the major industrialized countries of Europe. The United States is the Bank's largest nonregional shareholder, with 5.6 percent of the capital. Nigeria is the largest regional shareholder with 9.9 percent of the stock.

PROGRAMS AND POLICY DIRECTIONS

In its initial years, actual loan operations of the AFDB were limited. The Bank began operations in 1967 with only one loan amounting to United States $2.3 million. Since then Bank lending activity has increased dramatically. In 1986, there were 26 loans totaling $1,034,000,000. The leading borrowers were Morocco, Nigeria, Egypt, Zaire, and Cameroon.

During the 5-year period 1981–85, just under 52 percent of Bank lending went to two sectors: public utilities, mainly water supply and sewerage, and agriculture. Prior to 1981, public utilities and transportation were the two dominant sectors. This shift toward agriculture began in 1977 and the Bank intends to continue this emphasis, with 30 percent of its project lending targeted to this area in coming years.

Although the bulk of the Bank's activity will remain in project financing, the AFDB is moving to increase its policy based lending. The Bank will finance program, sector, and structural adjustment loans to assist member countries to resume the process of economic growth.

JUSTIFICATION FOR FUNDING

United States economic interests in Africa are clear. The countries of sub-Saharan Africa are the source of many minerals which are vital to our economy and our defense, for example, chrome, manganese, cobalt, and industrial diamonds. African countries are also important sources of petroleum.

Most of the countries which are middle income for Africa, and thus receive nonconcessional AFDB loans, are at a level of development far below that of the middle-income countries of other regions. The middle-income countries of sub-Saharan African have an average per capita income of $390 compared to $990 in other developing regions. Life expectancies in these African countries are 17 years less than in other middle income developing nations and adult literacy rates lag far behind those of Asia and Latin America, let alone those of the developed world.

This is an important time for the African Development Bank, when it can help African nations implement their decisions to reform their economies and institutions. As the largest non-African shareholder, United States support for the Bank is an important sign to the Bank's African members that we are helping them in their efforts to achieve economic progress.

COMMITTEE RECOMMENDATION

The Committee recommends the appropriation of $8,999,371, the full amount requested by the administration. The full U.S. subscription to the AFDB does not represent much in dollar terms, but it is important to the financial strength of the Bank and for maintaining the U.S. presence and vote in the institution.

Tables reflecting historical U.S. contributions to the African Development Bank, as well as the current replenishment follow:

AFRICAN DEVELOPMENT BANK

ACTUAL SUBSCRIPTIONS

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	U.S. percent of total
Paid-in	$1,460.0	$89.9	6.16
Callable	4,379.9	269.8	6.16
Total	5,839.9	359.7	6.16

CURRENT REPLENISHMENT

[Dollars in millions]

Through fiscal year 1987	Total	U.S. share	United States as a percent of total	Appropriated U.S. share	Appropriated percent of U.S. share
Paid-in	$1,215.4	$89.9	7.4	$89.9	100.0
Callable	3,646.2	269.8	7.4	[1] 269.8	100.0
Total	4,861.6	359.7	7.4	359.7	100.0

[1] Subscribed subject to a program limitation; in the event a call were necessary appropriations would still be required.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Appropriation, 1988	$244,648,000
Budget request, 1989	200,000,000
House allowance	214,958,666
Committee recommendation	218,219,666

As part of our membership in the United Nations, and pursuant to treaty, the United States provides a fixed percentage of its contributions, usually referred to as "assessed contributions," to the United Nations and to various specialized agencies, together with other international organizations such as the Organization of American States, NATO, and other smaller, research related agencies. Those contributions are funded through the Departments of Commerce, Justice, State, and Related Agencies Appropriations bill. The budget request for fiscal year 1989 for these purposes totals $519,447,000. That request is detailed in the following table:

U.S. ASSESSED CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

[In thousands of dollars]

	Fiscal year—		
	1987 actual	1988 estimate	1989 proposed
United Nations and specialized agencies	243,095	324,318	328,621
Inter-American organizations	86,966	76,448	78,553
Regional organizations	46,895	66,126	68,985
Other international organizations	8,313	13,108	13,747
New and provisional organizations (from international conferences and contingencies appropriations)	293	539	541
Contributions for international peacekeeping activities	29,400	29,400	29,000
Total, U.S. assessed contributions	414,962	509,939	519,447

In addition to these assessed contributions, the United States makes voluntary contributions to the United Nations and to other international organizations. These voluntary contributions are provided under this legislation. The United States and other countries, for a variety of humanitarian, foreign policy, or other reasons, voluntarily contribute to the various U.N. agencies, notably to the United Nations Development Program [UNDP] and the United Nations Children's Fund. Appropriations for voluntary contributions to these agencies were at their highest in fiscal year 1985 at nearly $359,000,000, and fiscal year 1988 funding totals about $245,000,000. For fiscal year 1989, the Committee recommends an appropriation of $218,219,666. Funding provided in the Committee's recommendation is earmarked in the legislation as indi-

cated in the following table, which also details the administration's request and the fiscal year 1988 level.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

	Fiscal year 1988 actual	Fiscal year 1989 request	Committee recommendation
U.N. Development Program [UNDP]	$110,000,000	$112,000,000	$112,000,000
U.N. Children's Fund [UNICEF]	54,400,000	32,000,000	60,400,000
International Atomic Energy Agency [IAEA]	21,854,000	24,000,000	14,500,000
U.N. Environment Program [UNEP]	7,840,000	6,800,000	10,500,000
International Convention and Scientific Organization Contributions	2,000,000	1,800,000	2,000,000
World Meteorological Organization/Voluntary Cooperation Program [WMO/VCP]	1,960,000	2,000,000	1,960,000
U.N. Capital Development Fund [UNCDF]	980,000	1,500,000	2,000,000
U.N. Educational and Training Program for Southern Africa [UNETPSA]	784,000	800,000	800,000
U.N. Development Fund for Women [UNIFEM]	220,000	150,000	800,000
U.N. International Research and Training Institute for the Advancement of Women			200,000
UNIDO Investment Promotion Service	150,000	500,000	300,000
Convention on International Trade in Endangered Species [CITES]	170,000	200,000	650,000
U.N. Voluntary Fund for Victims of Torture [UNVFVT]	90,000	100,000	100,000
World Food Program [WFP]	980,000		980,000
U.N. Trust Fund for South Africa [UNTFSA]	245,000	250,000	250,000
U.N. Fellowship Program	245,000	200,000	200,000
U.N. Institute for Namibia [UNIN]	110,000		110,000
U.N. Center on Human Settlements	400,000		400,000
International Fund for Agricultural Development [IFAD]	30,000,000	2,500,000	21,500,000
World Heritage Fund [WHF]	220,000	200,000	220,000
Subtotal, United Nations	232,648,000	185,000,000	210,670,000
Organization of American States development assistance programs [OAS]	12,000,000	15,000,000	7,349,666
Total, International organizations and programs	244,648,000	200,000,000	218,219,666

UNITED NATIONS DEVELOPMENT PROGRAM

Since the appropriation for UNDP of $165,000,000 in fiscal year 1985, it has received decreasingly smaller contributions, with fiscal year 1988 funding at $110,000,000. This program is far too important to worldwide development assistance and to the implementation of other U.N. programs to be allowed to decline further. Therefore, the Committee recommends an appropriation of $112,000,000.

UNDP was established as the technical assistance arm of the United Nations—its primary development assistance focus—and operates in more countries than any other single development agency. In addition to its own agenda, it implements programs of other agencies such as the Food and Agriculture Organization, and the World Health Organization. The program, under American leadership, has successfully combatted the political mischief so prevalent in many other U.N. organiza-

tions. A failure on the part of Congress to make available adequate resources for UNDP would, the Committee believes, endanger the leadership role of the United States in that agency.

UNITED NATIONS CHILDREN'S FUND [UNICEF]

UNICEF is perhaps the best known and certainly the most popular of U.N. agencies. A status which it has earned over the years through its dedication to improving the health and safety of children through programs which are both efficient and compassionate. UNICEF is well managed, cost effective, and it reaches beyond the nation-state dimension of international politics to a universal concern for the well-being of the world's children. Accordingly, Congress and the American people have shown strong support for UNIEF, with the Congress earmarking funding which is, more often than not, higher than amounts requested by the administration.

Last year the Congress earmarked $54,400,000 for UNICEF; this year the adminstration has again proposed a cut of funding to $30,000,000. The administration's request would have reduced the U.S. contribution to UNICEF by 40 percent. The administration proposed this reduction knowing full well that the Congress—both Houses and both political parties—strongly favor generous funding of UNICEF.

This Committee has grown weary of the budgetary charade played by the administration. The Committee rejects the adminstration's callous disregard for UNICEF and its triuimphs in the protection of children against childhood diseases and hunger. The Committee recommends an increase of funding to $60,400,000, including funding for a new activity providing care and shelter to street children around the world.

In last year's report the Committee expressed its strong concern over the appalling plight of the numerous homeless children in developing countries. The drain on developing country economies is clearly documented, and the political, social, and economic failing that they represent is obvious. The report also expressed the desire that UNICEF consider reaching these children through its programs. The Committee believes that UNICEF is ideally situated to provide a leadership role in helping these children who have, it seems, been bypassed as beneficiaries of foreign assistance. Therefore, the Committee has earmarked $3,000,000 of the funds made available for UNICEF to be held in trust for Childhope. Not more than 10 percent of these funds may be used by UNICEF for the administrative costs of administering the funds in trust.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT [IFAD]

The Committee has repeatedly found that IFAD plays a unique and needed role in the provision of development assistance for the world's poorest people. Its emphasis on small-scale grassroots projects, particularly in sub-Saharan Africa, fills a development void that other aid agencies, with larger bureaucracies, are unable to meet.

In its report the Committee last year noted that the upcoming negotiations on the third replenishment for IFAD would be extremely difficult and, given the current budget stringencies presently limiting foreign assistance availabilities, an increase in the U.S. contribution would be problematic. The Committee suggested various options that IFAD might explore to increase its resources. The negotiations for the third replenishment of IFAD has yet to be completed and the Committee, although very supportive of IFAD, believes it is premature to appropriate funds at this time in anticipation of these negotiations.

Nonetheless, the Committee is supportive of future contributions to IFAD. We are pleased that this point of view is shared by the principal U.S. negotiator in the IFAD replenishment discussions, the Honorable Richard E. Bissell, Assistant Administrator for Program and Policy Coordination at the Agency for International Development. In our hearings Mr. Bissell noted that IFAD grew out of the 1974 World Food Conference when he stated the following:

> * * * to my view has become a truly unique actor in the international scene. It has a unique constituency in reaching for the poorest, particularly in rural areas. It has become remarkably successful in doing so. It has a relatively unique structure in terms of sharing of the financial burden between the OECD countries and the OPEC countries in a ratio basically of 60–40, and in the course of this last replenishment, the OECD group contributed an additional special fund for Africa of about $300,000,000, recognizing the nature of the emergency in Africa, particularly among the poor farmer sectors.
>
> Our sense is that IFAD has carved out a special niche, and it is doing its job. It is now 10 years old. It has a good, solid record over 10 years. It has shown an ability to learn from its mistakes as well as its successes, and that its second decade has the possibility of becoming even more promising and delivering more to poor farmers than its first decade.

When asked by Senator Inouye how much the Committee should anticipate as a request in fiscal year 1990 for IFAD, Mr. Bissell said:

> That is really up in the air, just because we are thinking through so many potential funding structures for IFAD. It could range from as little as what we have been working with in the second replenishment, that is, in the $25,000,000, $26,000,000 range, to as high as $35,000,000 to $40,000,000.
>
> It is my hope to keep it in the $30,000,000 to $35,000,000 range, quite frankly.
>
> I say that in a sense regretfully since I think the organization should grow rapidly, but I also think it is important to maintain the burdensharing character of the organization, and in that sense, I think it would be an appropriate range for the United States to aim for, but the administration has not taken a fixed position on this number yet.

The Committee would expect to give favorable consideration to such a request. At the present, however, budgetary constraints require that the Committee limit its recommendation to the appropriation of $2,500,000 to complete the U.S. commitment under the second replenishment.

UNITED NATIONS ENVIRONMENT PROGRAM

The Committee remains concerned that UNEP must take a more aggressive and effective stance to protect the environment. As the organization responsible for overseeing environmental conditions worldwide, UNEP must place increased emphasis on implementing effective programs to protect the environment. In addition, UNEP needs to prioritize its allocation of funds so that critical programs move ahead and less emphasis is placed in programs which do not produce significant results.

For these reasons, the Committee has allocated most of the U.S. contributions. The Committee has made these allocations based on the priority programs necessary for global environmental protection and areas where UNEP has demonstrated an effectiveness in the use of its resources.

The Committee notes the leadership taken by UNEP in the development of an international agreement designed to protect the Earth's ozone layer. The Committee is concerned, however, that since the completion of the negotiations on this historic agreement, significant new scientific data has been generated which indicates that significantly greater limits on CFC emissions are required to protect the ozone layer. Accordingly, the Committee expects that UNEP will expedite the implementation of the Montreal Protocol and reconvene negotiations to further reduce the emissions of ozone-depleting chemicals.

The Committee is also concerned about the likely global climate change caused by the buildup of greenhouse gases. For this reason, we have dedicated funds to initiate a program to address this phenomena.

TITLE II

BILATERAL ECONOMIC ASSISTANCE

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development [AID] is the arm of the U.S. Government which has the principal operating responsibility for U.S. economic assistance programs. AID is currently on the ground in over 60 countries, and, in addition, it manages projects in many other countries through its various regional programs. The Agency's experience and personnel make it the leading development assistance agency in the world.

ECONOMIC ASSISTANCE TO CENTRAL AMERICA

This Committee again recommends substantial funding for the economic and social development of Central America. This is the fifth consecutive year this Committee has acted to implement the 1984 Report of the National Bipartisan Commission on Central America.

Continuing reports of inconclusive peace negotiations, human rights violations, and external migration motivated by lack of opportunity in Central America may lead some to conclude that little has been accomplished. That is not the case.

Social accomplishments in basic education, child survival, and promotion of democratic values have positively affected many, but not all, Central Americans. For the first time, new texts are available to all primary schoolchildren in Honduras. Despite the war, most children in El Salvador have been immunized against the basic infectious diseases.

Remarkable progress has been made in stabilizing the economies of Costa Rica, Guatemala, and Honduras. Antiquated economic structures favoring the wealthy are beginning to be replaced by a determination to open economic opportunity to small entrepreneurs.

The goals of the 5-year effort contemplated by the Commission have not been met in full. Unpaid foreign debt is a time bomb, while sustained development remains hostage to the continuing violence in the region.

As the $5,000,000,000 program initiated in 1984 approaches the end of its term, much remains to be done by Central Americans for their own development. One clear lesson learned from this effort is that no amount of U.S. dollars can compensate for lack of Central American determination to reform.

This Committee expects to continue to be supportive of Central American social and economic development, but the amounts and types

of future assistance will be constrained by the dire fiscal outlook facing our new President in 1989.

The Committee would like to advise our friends in Central America that there are many other demands for increasingly scarce dollars in our own country. As noted in more detail below, provision of the bulk of assistance in the form of balance-of-payments support may no longer be possible. The Committee encourages more effective use of U.S. foreign aid funds, and, where possible, coordination with assistance from other donor countries and the multilateral development banks.

This bill again includes a general provision terminating aid to any country whose elected head of government is deposed by military coup or decree. The Committee is under no illusion that it can determine political developments in other countries, but any country that rejects democracy, however imperfect, should not expect additional foreign aid from the United States.

Other general provisions relating to narcotics trafficking may come into conflict with this Committee's resolve to help Central America. The Committee will not rush to judgment, but where governments tolerate or participate in illicit drug production or transshipment, there should be no expectation of future aid. There is no tolerance for other forms of corruption relating to funds appropriated or generated by this Committee.

On a positive note, the Committee takes this opportunity to commend the thousands of Central American and United States citizens who have participated in this effort to reduce poverty and restore economic opportunity for all Central Americans.

We are especially proud of the students and workers who have returned home to Central America after participating in exchange programs funded by this Committee. Their brief exposure to our people and institutions gave them the opportunity to judge for themselves the values of American society.

The United States has provided extraordinary levels of balance-of-payments assistance to the countries of Central America in the 1980's, especially since 1984. These Economic Support Fund moneys have been critical to attainment of U.S. objectives to promote economic and political stability in Central America.

Balance-of-payments assistance should always be temporary and transitional in nature, providing financial support while countries make necessary policy adjustments to regain equilibrium in their balance of payments and deal with social or political problems. Policy reforms in such areas as exchange rates, fiscal deficits, and monetary expansion are needed, but take time to show effects and are often politically unpopular austerity measures in the short term. However, renewed economic growth with a cushioned adjustment will occur if policies are applied correctly and external assistance supports the process. Continued too long, ESF balance-of-payments assistance becomes a crutch used instead to avoid or postpone necessary reforms and creates an unhealthy dependency on foreign aid at the expense of U.S. taxpayers.

Now it is time to begin the process of phasing down and out on a gradual and orderly basis balance-of-payments support programs in Central America in the next 2 to 3 years. Fortunately, U.S. assistance has, by and large, been well used. Policy reforms have occurred, the economic crisis has receded, and economic growth, albeit modest, has returned to the countries most affected—Costa Rica, Guatemala, Honduras, and El Salvador. Greater recourse to the IMF and World Bank for such financing is taking place and is most appropriate. The political situation, though still cause for concern, has improved markedly when compared to the start of the Central America Initiative in 1984.

To help build democratic, prosperous societies in Central America will require continued U.S. assistance for long-term development efforts and the Committee intends to maintain its support for high levels of DA and, if necessary, ESF development projects in that region so important to U.S. interests.

AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION

Appropriation, 1988	$488,715,000
Budget request, 1989	461,062,000
House allowance	488,715,000
Committee recommendation	493,715,000

The Committee is recommending $493,715,000 for agriculture, rural development, and nutrition activities for fiscal year 1989. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is $488,715,000.

The Committee's report for fiscal year 1988 contained a detailed discussion of the need to provide assistance for the agriculture sector in developing countries. The Committee's comments are no less relevant today:

AGRICULTURE: A DECADE OF PARADOX

The 1980's has been a decade of paradox for world agriculture. The paradoxes have not been abstract. Every American has seen them with his own eyes. One night the evening news features the starvation of millions of Africans. The next night the same broadcasts show agonizing scenes of farm foreclosures in America's heartland precipitated by excessive production and plummeting agricultural commodity prices.

During a decade in which 1 billion human beings did not have even the meager resources needed to avoid malnutrition, commodity prices in developed countries fell below the actual cost of production. At the same time that the developed world increased its per capita food intake, food production in Africa continued to decline.

Even within developing nations themselves, agricultural policy is characterized by paradoxes. Burgeoning populations must be fed, yet the best land is often dedicated to cash crops for export because of the overwhelming need of governments to finance foreign debt. This leads to shortfalls in production which are compounded by the reluctance of farmers to produce beyond their own needs unless they receive a fair price for their labors, and prices are often depressed by governments dominated by urban populations which are politically active and powerful. As one embittered relief worker in the Sahel commented, "Starve the city dwellers and they riot; starve the peasants and they die. If you were a politician, which would you choose?"

These are the paradoxes of world agriculture. But for hundreds of millions of human beings in developing countries, the paradoxes of agricultural policy are of no relevance. For them, the only issue is survival. According to the World Bank, one-third of the people in developing countries do not receive the minimum calories necessary for a produc-

tive life. A sixth of the populations of those nations did not consume enough food to prevent malnutrition or other hunger induced diseases.

ASIA

In South and East Asia, the Food and Agriculture Organization predicts that per capita food production will be almost 9 percent higher in the year 2000 than it was in the mid-1970's. International development assistance fostered the development of new types of rice, wheat, and maize with vastly higher yields than traditional varieties. The introduction of these new crop varieties, which need large quantities of water, was fostered by the expansion of irrigation through projects supported by international development assistance. Today Asia, not including the Middle East, contains over 50 percent of all irrigated acreage.

The results of irrigation can be seen particularly in India. Since 1950, cereal production in India has increased from 55 million to 140 million tons per year. Agricultural experts estimate that over 50 percent of that increase can be attributed to irrigation.

These are remarkable achievements. Nonetheless, it must also be emphasized that the success of these programs has bypassed hundreds of million of Asians. While the proportion of the malnourished is decreasing, at present over 200 million Asians are seriously malnourished. They stand in need of our assistance.

AFRICA

If Asia demonstrates the potential of development assistance, Africa demonstrates its limitations. It staggers the imagination to learn that, in spite of billions of dollars in aid that has been poured into Africa in the last three decades, per capita food production has dropped 20 percent between 1960 and 1980.

A variety of factors have seemed to conspire to produce this result. There have been 17 years of below average rainfall and 3 years of drought. In the face of massive population growth—in Africa, there are 1 million more children to feed every 3 weeks—Africa has on the whole, poor soil. Eighty percent of its land has limited fertility and nearly 50 percent of the continent cannot support agriculture without irrigation.

In Africa, governments, foreign and domestic, have often worsened, rather than improved the situation. African governments actually decreased their investments in agriculture between 1978 and 1982. It was during this time government spending per farmer increased in Latin America, and in the Near and Far East. In Africa, too often government policies have depressed food prices to satisfy urban political groups. When prices are low farmers are unwilling to take the risks to produce crops above subsistence levels. In Africa, foreign aid experts and programs have also contributed to the decline of agriculture. Those experts have urged Africans to undertake agricultural practices which the weak soil of Africa cannot sustain, leading to the exhaustion of the land and ultimately desertification. Even food aid shipments, that have

continued beyond immediate famine conditions, have hurt the economic condition of Africa's farmers and thereby their willingness to increase production.

NO SIMPLE SOLUTIONS

In a situation characterized by such paradoxes, there is often a tendency to prescribe simple solutions. There are some who would argue that only projects that increase the production of poor farmers should be funded. However, if the Agency for International Development and the multilateral development banks do not promote the reform of economic policies in developing countries so that rural farmers receive a fair price for their products, no amount of assistance will increase local production.

Others would argue that all of AID's funds should be used to directly supply food to the hungry. However, if that food is supplied in a manner that undermines the local agricultural sector, it will only transform a temporary famine into a permanent one. And if all our aid is focused on local farmers there is a real danger that basic research in new seeds and methods, such as the research which developed the strains of miracle rice which transformed the rice production of Southeast Asia, will suffer.

Finally, if anything is clear from the history of agricultural development projects of the last two decades it is that production for production's sake alone is not a sound objective. Promoting excessive development of marginal land may produce more food for a few thousands for a few years, but the damage done in the long run may produce famine for millions. Agricultural development must be environmentally sound. It must be sustainable. Thus, for the Agency's efforts to be successful, they must be built on sound premises, and the requests for individual projects must respond to priorities based on those premises.

AGRICULTURAL DEVELOPMENT AND U.S. AGRICULTURE

There have been several attempts in recent years to restrict agricultural activities of the multilateral banks and of AID's agricultural programs. It has been argued that U.S assistance should not be used to aid the production of any agricultural commodity in developing countries which is in surplus on world markets. It is argued that U.S. taxpayers should not subsidize the production of crops when U.S. farmers cannot sell all of their agricultural production at acceptable prices. On the surface, this argument has substantial appeal. But when examined more closely, the proposal to limit development assistance in this manner is fundamentally flawed.

It is well established that very poor countries cannot import significant amounts of U.S. agricultural products because their citizens are too poor to buy them. Yet, with development, imports of U.S. agricultural commodities increase.

The changes in meat consumption in the Middle East are a dramatic illustration of how increasing income will increase the demand for the

type of agricultural products that the United States exports. Meat imports in the region increased from 100,000 tons in the 1970's to over 1 million tons in the 1980's.

Unfortunately most of the developing World is not located over massive oil reserves. Only if these nations develop their own agricultural bases will they have the income to import U.S. agricultural products. The creation of wealth in developing countries must be based on successful agricultural development. Successful agricultural development creates a pool of savings, stimulates demand for additional foodstuffs, and releases the labor force needed to launch broader economic growth. Until that additional wealth is created, and development ensues, developing countries will not have the wealth to import high quality food grains and animal products that are the heart of U.S. agricultural exports.

This analysis has been confirmed by numerous studies conducted by both the Department of Agriculture, the Agency for International Development, and independent organizations. The most recent of these was undertaken by noted agricultural policy specialist Dr. Robert Carlberg for the Kerry Foundation. Its conclusion deserves quotation:

> U.S. farm exporters, and especially coarse grain exporters, therefore, have an unmistakable interest in promoting income growth in the developing world. It is not the hunger of poor countries, or even their growing populations, that makes them better customers for U.S. farm producers. It is the purchasing power that comes from their growing wealth.

AGRICULTURAL RESEARCH

The Committee believes that it is critical that the AID maintain a strong agricultural research effort. The Committee continues to believe that AID should make a strong effort to maintain adequate funding for activities basic to the agricultural development goals of the Agency, such as agricultural training, research, technical assistance, and Third World institution building. Of special concern is the need to adequately fund activities with a long-term payoff such as the collaborative research support programs or CRSP's.

Accordingly, in allocating agriculture, rural development, and nutrition funds in fiscal year 1989, the Committee encourages the Agency to fund the Office of Agriculture of the Bureau of Science and Technology at not less than the fiscal year 1988 estimated level.

VITAMIN A DEFICIENCY PROGRAM

For a number of years the Committee has supported vitamin A deficiency programs in AID. The Committee has earmarked funding for this program because vitamin A deficiency annually blinds 500,000 chidren as well as contributes to illness and death from diarrhea, pneumonia, and measles. If vitamin A capsules are given three times a year to children through the age of 5. they are protected against blindness

caused by vitamin A deficiency during these critical and vulnerable years.

Preventing blindness in children means much more than maintaining their ability to see. Without sight, the life expectancy of a blind child in a poverty ridden society is very short and there is virtually no prospect of a productive life. The Committee believes that AID has been very responsive in its vitamin A program, and believes that it should be encouraged to do even more. Therefore, the Committee has earmarked $8,000,000 in the bill for this program.

DAIRY DEVELOPMENT

The Committee has again included bill language that up to $5,000,000 is to be provided for new development projects of private entities and cooperatives utilizing surplus dairy products. U.S. surplus milk supplies are no longer available. But, the program has combined technical assistance to milk producers who are usually small, impoverished farmers with the export of dairy cows, technology, and the use of American dairy farmer volunteers. The program builds long-term U.S. markets, especially for the sale of feed grains, enhances nutritional welfare of rural and urban consumers with higher quality milk and milk products, and provides for economic development.

AGRICULTURE ACTIVITIES IN POLAND

The Committee is again including in its bill a provision authorizing AID to provide up to $10,000,000 for agricultural activities in Poland which are managed by the Polish Catholic Church or other nongovernmental organizations.

The Committee is pleased that AID, after lengthy negotiations, was able to obligate funds for a grant to Catholic Relief Services for agricultural activities in Poland. The Committee expects to be kept informed of the progress of this grant.

APPROPRIATE TECHNOLOGY INTERNATIONAL

For a number of years Appropriate Technology International [ATI] has received support from AID through its centrally funded Agriculture, Rural Development and Nutrition Program budget. The Committee has consistently supported the work of ATI. The Committee believes that it is important for AID to continue funding for ATI at appropriate levels. Therefore, the Committee directs that the Agency provide ATI with a level of assistance of at least, $4,500,000 in fiscal year 1989.

ASSOCIATE PROFESSIONAL OFFICERS PROGRAM

The Committee is aware that the Agency for International Development and the Department of Agriculture have provided funding jointly to support U.S. participation in the Associate Professional Officers Program of the Food and Agriculture Organization and related

agencies. The United States provides substantial resources to international agencies such as the FAO, the International Fund for Agricultural Development, and the World Food Program. The Committee is pleased that the United States has begun to use these organizations for training U.S. nationals in international food issues, and it encourages AID to continue providing funding for this program in the future.

SMALL SYSTEM RURAL WATER DEVELOPMENT

The Committee recognizes the effectiveness of the National Rural Water Association in supporting the development and maintenance of rural water systems in the United States. The Committee, therefore, encourages the Agency for International Development, the International Bank for Reconstruction and Development, and the World Health Organization to work with the National Rural Water Association to develop a pilot program to provide technical assistance for rural water programs in lesser developed and developing countries. The Committee understands that this program could be initiated with funding of $150,000.

POPULATION PLANNING

Appropriation, 1988	$197,940,000
Budget request, 1989	190,440,000
House allowance	197,940,000
Committee recommendation	197,940,000

The Committee is recommending $197,940,000 for population activities for fiscal year 1989. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is the same amount.

For two decades the Committee strongly supported efforts to provide universal access in developing countries to a wide array of safe and effective family planning methods and to impress on developing country leaders the importance to their own development goals of reducing high rates of population growth. For most of this period the Committee's views have been shared by successive Democratic and Republican administrations.

FUNDING RESTRICTION

The Committee has included language in this year's bill to prohibit support of any organization or program which, as determined by the President of the United States, uses funds provided under the AID "Population planning" account to support or participate in the management of a program of coercive abortion or involuntary sterilization. This language is identical to current law with respect to this issue.

INFORMED CHOICE

The Committee has again included in the bill prior-year language requiring that funding under population planning assistance be available only to voluntary family planning projects which offer information on or referral to a broad range of family planning methods and services. The provision states that in awarding family planning grants for natural family planning, AID may not discriminate against applicants who, because of religious or conscientious commitment, offer only natural family planning. However, such applications must agree, as a condition of funding, that they will comply with the requirement to provide objective, accurate information about other family planning choices, so that clients may make informed voluntary choices. The Committee believes that this requirement, which places the individual needs and desires of the family planning client above those of the service provider, is one of the foundations of U.S.-supported family planning programs.

HEALTH

Appropriation, 1988	$119,000,000
Budget request, 1989	114,000,000
House allowance	119,000,000
Committee recommendation	122,459,000

The Committee is recommending $122,459,000 for health activities for fiscal year 1989. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is $119,000,000.

The global struggle against disease continues to confront enormous challenges. Poverty, and its issue, hunger and disease, continue to plague more than one-half of the World's population. The medical technology and social investments which have turned diseases like measles and diphtheria into medical curiosities in the developed world are still not widely available in the Third World. The commitments of the world's nations, through the World Health Organization, to achieve a minimum level of health for all persons by the year 2000 and universal access to clean drinking water and immunization by 1990 are in doubt today. The debt crisis, the world recession of the early 1980's, and the consequent economic adjustment process have all set back the international effort to improve the health of the people of developing nations.

In the developed world, there is often the illusion that health is a separate issue from economics. In the developing world, there is no such illusion. Health improves directly with income. Higher incomes permit families to buy food with the balanced nutrients necessary for good health. Broader social expenditures with wider health benefits, such as water supply systems, agricultural investments, or immunization programs are often only possible if a nation's wealth is increasing. In a context of economic stagnation and decline, the problems entailed in improving the health of the individual or the social family are magnified.

TREATMENT AND CONTROL OF RIVER BLINDNESS

The conferees on the fiscal year 1988 Foreign Assistance Appropriations Act agreed that AID should provide $4,000,000 for distribution, transportation, field testing, and field research on ivermectin, a new drug developed by Merck & Co., Inc. for the treatment of river blindness. The Committee is aware that field testing and country plans for the use of the drug have not in all cases been completed, especially in countries where the disease is endemic, and the full amount anticipated by the Committee may not, in fact, be made available by AID. Therefore, the Committee expects AID to continue to provide

support for the ivermectin program as country plans for the use and distribution of the drug are developed and approved.

The Committee has earmarked $2,500,000 in the bill for the World Health Organization's program to eliminate onchocerciasis (river blindness).

The World Health Organization's [WHO] Onchocerciasis Control Program is a multilateral program executed by WHO and supported by voluntary contributions from AID, the World Bank, and 18 other donor country agencies. The program, established in 1974 has the goal of eliminating river blindness as a severe public health problem and socioeconomic constraint in 11 West African countries in which the disease is endemic. The river blindness program has been cited by AID in a 1986 impact evaluation report as one of the most successful multilateral donor programs in the history of development assistance. With the necessary tools available to the program it appears the disease could be virtually eliminated from West Africa by 1997.

Despite contributions from all participating donors for the River Blindness Program, it has been reported that there will be a $22,000,000 shortage in funding over the next 6-year period. Financial support to the program is required now to enable the 6-year plan to move forward, This will result in major economic gains in the region including substantial increases in food production, and the elimination of human suffering for the 16 million people threatened by the disease in the program area.

In order to assure the U.S. participation in the WHO Program, the Committee has recommended that not less than $2,500,000 be provided for the WHO Onchocerciasis Control Program.

AGING

The Committee notes that AID has made some, although limited, progress during the past year on the development of research projects in cooperation with the National Institute on Aging [NIA]. This includes contributions to an international data base on the demography of aging countries, and partial support for meetings by scientific consultation groups for cross-national studies for the Special Program for Research on Aging [SPRA] of WHO, based at NIA. Cross-national research on behavioral, biomedical, and socioeconomic aspects of age-related problems such as dementia, nutrition, and immune function in less developed countries can lead to improved interventions and provide sound basis for health policy for all nations. The Committee continues to believe that a more substantial contribution by AID would further the mutual interests of both agencies and benefit the aging populations of the world. Therefore, AID is again strongly encouraged to continue cooperative efforts with the Department of Health and Human Services [HHS] and extend its support of international research activities.

INTERNATIONAL HEALTH TRAINING

In previous reports, the Committee has noted the unusual effort by Milwaukee County in support of the Milwaukee International Health Training Center. It is gratifying to note the considerable support which has been provided not only by the county, but by local agencies such as the Milwaukee City Health Department, Marquette University, the Medical College of Wisconsin, and the Milwaukee Area Technical College. The initial phase of this project is now complete, and the center is currently seeking operational funds over a 5-year period of $5,000,000 from the Agency for International Development. These funds will be matched by approximately $100,000 per year by Milwaukee County. It is hoped that eventually this center will be self-sustaining. In the meantime, the Committee once again expresses its strong support for this proposal, which the Committee believes should be favorably considered by AID.

INTERNATIONAL AIDS PREVENTION AND CONTROL PROGRAM

Appropriation, 1988	$30,000,000
Budget request, 1989	30,000,000
House allowance	35,000,000
Committee recommendation	40,000,000

The Committee is recommending $40,000,000 for the International AIDS Prevention and Control Program. Of this amount, $25,000,000 is to be made available to the World Health Organization [WHO] for its special program on AIDS. The House level is $35,000,000, of which one-half is earmarked for the WHO Program.

The AIDS pandemic represents an unprecedented worldwide threat. In poor, developing countries it represents both a threat to individual citizens and a major challenge to economic development itself. The Committee endorses the role of the WHO as the lead agency coordinating international efforts to prevent, treat, and control the disease. The support provided to WHO in this section is intended to contribute to the achievement of core activities of the global program on AIDS rather than as a channel through which resources would be designated for support of specific national AIDS activities.

The Agency for International Development is responsible for directing the economic assistance activities of the United States with the developing World. The Committee expects and encourages the Agency for International Development to coordinate with the WHO special program on AIDS to ensure that U.S. bilateral activities are closely coordinated with the special program.

Furthermore, in consideration of the seriousness of the AIDS problem in developing countries, the Committee believes that the Agency should develop a coordinated program of support for the WHO-led international effort to control the spread of AIDS. This program should take into account the resources of other U.S. Government agencies, international organizations, private and voluntary organizations, and other entities involved in the battle against AIDS. It is essential that the U.S. agencies and organizations concerned with AIDS work in harmony. Congress expects the Agency for International Development to ensure adequate coordination so that the budget resources available from this bill or any other appropriations assisting developing countries combat AIDS problems are implemented with maximum effectiveness.

The U.S. domestic research and program efforts to combat AIDS can be of important benefit to developing countries. The Committee believes it is essential for the Agency for International Development to

stay informed on the design and implementation of these domestically oriented activities. In this way the Agency can ensure that aspects of these domestic efforts of potential relevance to developing countries will be available to them. The Committee encourages the Agency to act in a reciprocal manner, making its knowledge of the design and implementation of internationally oriented activities available to other U.S. entities.

Given the importance of AIDS as a public health and development problem, the Agency is directed to report semiannually on its activities and the progress of efforts to combat the spread of AIDS. In providing funding to combat AIDS from a separate appropriations account, it is not the Committee's intention to preclude the use of other economic assistance funds for additional assistance for this purpose. It may be that ESF or other development assistance funds could usefully supplement the funds appropriated under this heading.

CHILD SURVIVAL FUND

Appropriation, 1988	$66,000,000
Budget request, 1989	66,000,000
House allowance	71,000,000
Committee recommendation	71,000,000

The Committee is recommending $71,000,000 for the Child Survival Fund for fiscal year 1989. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is the same as the Committee's recommendation.

In the early 1980's a feasible strategy for addressing the tragedy of infant mortality began to develop. The hope that infant mortality could be successfully addressed arose from the development in the 1970's and early 1980's of a series of simple and inexpensive medical interventions that could drastically reduce the level of infant mortality. These technologies, if made universally available, had the potential of reducing infant mortality one-half. The prospect of reducing infant mortality by one-half caught the imagination of the American people and the Congress.

Fortunately at the same time that these technologies were coming to their maturity, a plan for international cooperation developed to make these life preserving technologies available to every child.

It was in this context that the Congress in 1984 established the Child Survival Fund. The Congress established this program out of the conviction that the Agency for International Development should focus a significant portion of its efforts on the special health needs of children and mothers.

In establishing this program the Congress encouraged the Agency to utilize the simple, available technologies which can significantly reduce childhood mortality, such as improved and expanded immunization programs and the promotion of oral rehydration. In addition to oral rehydration therapy and immunization, the Agency for International Development is convinced, and the Committee agrees, that two other activities are an essential part of a successful Child Survival Program. These are birth spacing and a special nutrition program focused on breast feeding, weaning, and growth monitoring.

Last year, the Committee expressed its concern that the child survival fund has been used by AID to replace health and nutrition activities and to make up for shortfalls in some country programs. We continue to believe that these funds should be utilized by experienced organizations which have the proven capability to reach those in greatest

need. Traditionally, these types of programs have been undertaken by private voluntary organizations [PVO's].

In fiscal year 1988, the Committee directed AID to provide increased funds to support PVO child survival activities through the Office of Private and Voluntary Cooperation [PVC]. AID provided $14,700,000 though PVC in fiscal year 1988 and proposes $10,500,000 in fiscal year 1989. In fiscal year 1989, the Committee strongly suggests that AID maintain these programs at the $15,000,000 level.

EDUCATION AND HUMAN RESOURCES DEVELOPMENT

Appropriation, 1988	$117,000,000
Budget request, 1989	129,541,000
House allowance	117,000,000
Committee recommendation	134,541,000

The Committee is recommending $134,541,000 for education activities for fiscal year 1989. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is $117,000,000.

The Education and Human Resources Development Program of the Agency for International Development concentrates its work on basic (primary and secondary) education, adult and vocational training, advanced scientific professional and technical training, and research in basic education and training. The program seeks to help countries assess existing practices in order to identify and correct inefficiencies, strengthen successful education and management systems, and explore administrative and financial choices for education and training at all levels. Behind these efforts lies the well-researched and widely accepted principle that education is necessary for the social and economic development of peoples and nations.

It is equally axiomatic that the largest part of the resources necessary to develop and sustain the school systems for any nation's children must be raised and administered locally. AID's contribution to the development of such education systems, therefore, focuses on improving and developing countries' planning and policymaking capacities at all levels rather than underwriting recurrent expenses.

Developing countries have made substantial progress over the last 20 years in the effort to produce a literate, trained and productive work force. Between 1960 and 1980, primary enrollments increased in Africa by 218 percent, Asia by 128 percent, and Latin America and the Caribbean by 134 percent.

However, the number of illiterate adults is rapidly growing in Africa and Asia due to the poor quality of education and the inability of the system to grow as rapidly as the population. Over 20 African countries have adult illiteracy rates higher than 60 percent, while 65 percent of the world's illiterate population lives in Asia.

By the year 2000, 6 of every 7 school-age children will live in the developing world. Optimistic projections show only one-half of them completing primary school, meaning that the number of illiterates in the world will total almost 1 billion by 2000.

This weak human resource base will continue to impede the advance of development. World Bank evidence demonstrates a strong correlation

between basic education and the acquisition of employable skills, higher farmer productivity, improved nutrition, lower infant mortality, and slower population growth. The Bank also reports that training programs are not effective in countries with literacy rates lower than 40 percent, and that the highest economic returns on investments, across all development sectors, are for those in basic education.

BASIC EDUCATION

For the last several years, the Committee has noted that AID's dedication to basic education is evidenced far more in its publications than in its programming. Underlying the Committee's earmark for basic education activities is a belief that the Committee shares with AID, at least in principle, that investments in basic education bring the greatest return in all development sectors, and that more advanced training programs are often fruitless in countries whose literacy and numeracy rates are below 40 percent.

The Committee's intent in providing these funds for basic education, defined as primary and secondary formal schooling, is to improve the quality of education in developing countries. It is the Committee's view that this can be best accomplished through a combination of activities which include policy guidance, system improvements, training of educators, and instruction support.

It is the Committee's desire that these funds will not be used to expand existing basic education systems except where opportunity for such expansion results from reduced student repetition and dropout rates, and except where increased enrollments of females are clearly targeted. It is additionally important that in programming these funds, AID not give equal treatment to Latin America and the Caribbean [LAC], Africa [AFR] and Asia and Near East [ANE], as the need for basic education efforts in each of these regions is very different. It is the Committee's expectation that the majority of these increased funds will be utilized in the countries of Sub-Saharan Africa, including the Sahel, and South Asia. These countries have no prospect of sustained development in any sector without a dramatically improved human resource base.

The Committee is pleased with the level of effort in basic education in LAC, acknowledges the ongoing need for quality improvements in basic education there, and does not intend that this level of effort either decline or increase dramatically in deference to the needs of Africa and South Asia. As a result, the Committee neither anticipates nor condones any major dislocation of programs currently underway as a result of this earmark. Such dislocations occur largely as a result of internal AID preferences and decisions on country allocations.

Finally, the Committee reiterates that this provision of funds for basic education reflects acceptance and encouragement of AID's own education policy and strategy, as stated in its publications and policy papers. Since the Committee has expressed its support for basic education, however, and has earmarked funds to enable AID to implement

its own policy and strategy, AID's program in basic education has not grown either in the number of project starts or in the number of countries served. Therefore, the Committee requests that AID report briefly to the Committee beginning 6 months from the date of enactment of this provision and every 6 months thereafter, on steps it is taking to plan and fully implement this provision.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

The Committee again recommends an earmarking of funds for the highly successful Central American Scholarship Program, for which funding was initially provided in response to the Kissinger Commission in fiscal year 1985.

This year, the Committee recommends an earmark of $15,000,000 and intends that these funds be used for the regular CASP Program, or, if the matching program which began in fiscal year 1988 can use more funding, then funds could be utilized from this earmark. In fiscal year 1988, the Committee initiated an additional $2,000,000 matching scholarship program for a total of $12,000,000, and therefore recommends a total increase of $3,000,000 for fiscal year 1989.

The Committee continues to believe that this is a model program for scholarships, and encourages the Agency to utilize this program beyond the earmarking and as a model for other areas of the world.

CENTER FOR INTER-AMERICAN LEADERSHIP

The Committee bill earmarks $1,200,000 for the second year of a 5-year innovative program begun last year by the Center for Inter-American Leadership to acquaint future leaders of the Caribbean basin with the American democratic system and the role private enterprise plays in this system. Under this provision, 1,000 Caribbean basin students attending colleges and universities in the United States will receive full scholarships to attend 1-month democracy/leadership seminars during winter break in their sophomore or junior years. Each participant will be placed with a transnational company in the United States the following summer for summer traineeships. The Committee remains impressed by the cooperation between the public and private sectors underlying this proposal and believes that it has the potential for developing a broad network of Pan American leaders with experience in the American system consistent with the recommendations of the Kissinger Commission.

CARIBBEAN LAW INSTITUTE

The Committee has again earmarked $1,500,000 under the "Education and human resources development" account for the Caribbean Law Institute. The West Indies Faculty of Law in the Barbados and the Florida State University Law School have established

a cooperative education program to help nations in the Caribbean area develop uniform laws such as a Caribbean commercial code. One of the goals of the institute is to revise the commercial code in order that trade between the countries in the West Indies and the United States could be facilitated.

PRIVATE SECTOR, ENVIRONMENT, AND ENERGY

Appropriation, 1988	$120,709,000
Budget request, 1989	127,795,000
House allowance	120,709,000
Committee recommendation	120,709,000

The Committee is recommending $120,709,000 for fiscal year 1989 for the programs authorized by section 106 of the Foreign Assistance Act of 1961. This amount does not include funds appropriated separately in this bill for sub-Saharan Africa. The House level is the same as the Committee's recommendation.

Projects and program activities funded under this account are designed specifically to: (1) support private enterprise development as well as efforts to reform government policies and institutions; (2) support the activities of private and voluntary organizations and cooperatives; (3) support science and technology efforts; (4) promote human rights and democratic initiatives; and (5) carry out research and technical assistance activities to alleviate energy constraints to development, including the encouragement of private investment in energy infrastructure.

PRIVATE ENTERPRISE

Programs in this account are the main source of funding for AID's efforts to encourage the development of private enterprise and the promotion of competitive markets vital to stimulate and maintain economic growth. A significant percentage of the funds requested for this account in fiscal year 1989 were proposed to be devoted to private enterprise development. This is in addition to the funds for private sector development provided under other development assistance accounts.

A major emphasis of AID's private enterprise initiative is an effort to help the poor majority through the pursuit of macroeconomic policies that positively affect the labor market. Policy reform is used to correct distortions that artificially encourage the substitution of capital for labor. In this respect, developing countries are encouraged to rely upon capital-savings technologies that promote the use of labor-intensive technologies over those that require the scarce commodity of capital or financial resources.

ENERGY PROGRAMS

Inadequate and unreliable supplies of energy are a major constraint to economic growth, limiting potential increases in agricultural output, industrial productivity, transport services and social well-being. In addition, the capital requirements associated with Government investments

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in energy infrastructure account for a major share of development budgets in most assisted countries.

Funds from this account are a major source of support for the Agency's energy conservation activities and technical assistance efforts designed to expand the role of the private sector in the development and management of energy resources. These efforts complement the policy dialog and private sector initiatives funded from other accounts, providing the necessary foundation of LDC development efforts and increasing the economic viability of their private sectors. AID energy assistance also creates opportunities for U.S. private business by creating markets for energy equipment and technical services.

OFFICE OF ENERGY

The Committee is pleased that AID has decided to provide $10,000,000 for the Office of Energy in each of fiscal years 1988 and 1989 in response to the Committee's concern about maintaining a strong agencywide energy program. However, the Committee is disappointed with last year's request of a comprehensive plan for expanded energy programs that focus on improving the capacities within developing countries to develop and distribute increased energy supplies to productive end users, particularly rural industry and agriculture. Instead, the AID study suggests mostly policy dialog and more of the same limited energy programs, rather than the promotion of rural electrification. Therefore, the Committee again directs AID to develop a comprehensive plan, not a study, as requested in last year's report.

SUPPORT FOR PRIVATE VOLUNTARY ORGANIZATIONS

The Committee again directs AID to maintain programs of private voluntary organizations [PVO's] and cooperatives. In many cases, the large and diverse number of PVO's, with relatively small projects, are targeted to the poorest populations which the usual AID-funded governmental programs cannot reach. In this regard, the Committee encourages AID to strengthen the Central Office of Private and Voluntary Cooperation which provides for more independent worldwide people-to-people programs in contrast to governmentally based country programming.

AID has been responsive to the Committee's support for the PVC office, and the Committee encourages AID to address two special concerns in fiscal year 1989. First, PVC funding for PVO child survival programs is proposed to be reduced from $14,700,000 to $10,500,000 in fiscal year 1989. The Committee believes that the PVC child survival role should be strengthened and its child survival budget raised to $15,000,000.

Second, the Committee wishes to note its support for the food aid enhancement and outreach programs which were recently transferred to the PVC office. These important programs help PVO's maintain their high operational costs of undertaking child feeding and food essential to the undertaking of related development programs such as infrastructure

in roads, ports, storage, and communications necessary for operating these nonemergency food aid programs. The Committee understands that a minimum of $5,000,000 will be budgeted to PVC for these programs in fiscal year 1989. As PVC gains experience in operating these programs, the Committee encourages AID to provide it with additional resources to bring the total to $10,000,000.

Thus, to maintain current programs and increase its child survival budget, the Committee recommends that the PVC office be funded at least at $56,000,000 in fiscal year 1989, including $22,000,000 for PVO matching grants, and $6,000,000 for U.S. cooperative development organizations.

PVO REGISTRATION

For several years, AID has required that United States and indigenous private and voluntary organizations [PVO's] be registered in order to be eligible recipients of direct grants from AID.

Last year, this Committee was troubled by reported and potential abuses in the registration process for indigenous PVO's. The Committee sponsored a new statutory provision regarding registration to ensure that AID enforces its longstanding policy and insisted that AID apply uniform and comparable requirements in the registration of United States and indigenous PVO's. Although the Committee realizes that some degree of flexibility is necessary in applying registration standards to indigenous PVO's because of the different legal systems, procedures, and circumstances in host countries, registration requirements should be applied as uniformly as possible. Variations should be well justified and kept to a minimum, and registration should be approved by AID in Washington to ensure uniform application of requirements.

This year the Committee wishes to clarify two points. First, it is not intended to require registration of PVO's in order to be eligible for subgrants, but only for direct grants from AID. The PVO Subgrant Program is an important means of developing the capability of small PVO's in order to qualify for registration and direct assistance from AID. It also is a useful mechanism for providing support for large numbers of small indigenous organizations, especially those representing women, tribal peoples, and other minorities.

Second, the Committee realizes that the initial judgment whether an indigenous PVO qualifies for registration should be made by AID missions. The registration process involves extensive documentation, often in the language of the host country, and requires an understanding of the local legal system, customs, and procedures. Moreover, registration of indigenous PVO's in Washington would lead to lengthy delays which interfere with timely operation of the assistance program in a country. On the other hand, the Committee persists in its concern that abuses should be prevented and that registration standards should be applied as uniformly as possible. The Committee believes these interests can be accommodated if the process of registering indigenous PVO's is implemented in two phases. First, AID missions may review documentation

submitted by a local applicant and, if warranted, register the indigenous organization as a PVO on a provisional basis. The PVO would be eligible for assistance. The mission would then provide a detailed report to AID's Office of Private and Voluntary Cooperation [PVC] for PVC's approval and permanent registration. This written report should describe how the indigenous PVO satisfies the standards for registration and provide a justification for any variations from these standards required by local laws, customs, or practices. With regard to PVO's in South Africa, if the registration process as presently structured proves a disincentive to the participation of PVO's in South Africa, the Committee would be agreeable to discussing alternative procedures which would protect its concerns and still allow the program to continue. The Committee would like to discuss these issues with AID as soon as possible so that mutually acceptable procedures can be developed for fiscal year 1989.

COOPERATIVE DEVELOPMENT

The Committee continues to be concerned about AID's support for six U.S. cooperative development organizations which bring self-help, democratic development to low- and moderate-income people in developing countries. Congress has written numerous amendments over the years requiring AID to fully utilize U.S. cooperatives in development assistance programs overseas. The ability of U.S. cooperatives to respond to this mandate is contingent upon central support grants which, at a minimum, should be funded at $4,500,000 in fiscal year 1989.

One of these cooperatives organizations is the 61 million member Credit Union National Association [CUNA], which through its affiliation with the World Council of Credit Unions reaches some 80 million credit union members throughout the World. Modest U.S. Government overseas development support to CUNA over the past 25 years has helped spur the creation of 20,000 member-owned and controlled developing country credit unions whose 7.8 million members have accumulated savings of $2,600,000,000. In 1986, these local savings provided the means for credit unions in developing countries to issue $2,200,000,000 in loans to low- and moderate-income members, adding substantially to the resources available to meet the development challenges which they faced. AID utilization of its resources to attain such leveraging of local resources through credit unions is to be commended and should be given increased emphasis in AID's country and regional programs in fiscal year 1989.

CARIBBEAN RURAL ELECTRIFICATION

Last year, the Committee earmarked $1,500,000 to begin the Eastern Caribbean Regional Utilities Maintenance Project. AID has decided to undertake this project at $5,000,000 over 4 years. The National Rural Electric Cooperative Association and the Florida Power and Light Co. will collaborate in providing technical assistance and a common services institute for the small island power systems. The project will provide

reliable electricity to further economic development and job creation in meeting the goals of the Caribbean Basin Initiative. The Committee is pleased that AID agrees on the importance of this project. Therefore, another earmark for fiscal year 1989 is not necessary.

CENTRAL AMERICA RURAL ELECTRIFICATION

The Committee bill again earmarks $5,000,000 for the Central America rural electrification support. This is the third year in which the Committee has included this earmark.

The Committee continues to believe that rural electrification is an important part of implementing the Kissinger Commission report for promoting long-term economic growth especially in rural areas. The project involves a range of technical assistance, training, and institution building. For the electric distribution line construction land commodities, most of the funding will come from the host governments and multilateral sources. Productive uses of electricity, strengthening the capability of utilities to extend electric lines to underserved rural areas, developing standards based on the less costly REA model and training are the key elements of the regional program.

CARIBBEAN BASIN PROMOTION CENTER

Given the proven cost effectiveness and success of the Caribbean Basin Promotion Center of the Chicago Association of Commerce and Industry, the Committee recommends to the Agency for International Development that it provide for the continuation and expansion of this program.

HOUSING RECONSTRUCTION USING TRADITIONAL EARTHEN CONSTRUCTION

The Committee notes with interest the House Committee report language regarding earthen construction, that is, adobe or sun-dried brick construction. If new technologies do exist that reduce the cost and time required to construct traditional earthen dwellings, they could greatly benefit housing construction and reconstruction efforts throughout the world, and could promote efforts to preserve forested areas by reducing the reliance on trees as building materials. The Committee has seen evidence of such construction in Mali, in a joint USAID/World Vision program.

In addition, these technologies could benefit reconstruction efforts in Afghanistan as 4 million or more refugees return to that country. The timing of any mass movement of former refugees into the Afghan countryside is uncertain, and depends on the levels of violence, political stability, and resource availability. It is clear from the recent bipartisan staff report of the Judiciary Subcommittee in Immigration and Refugee Affairs that repatriation will not begin in large numbers until this autumn or the spring of 1989.

It is imperative that U.S. Government agencies and other donor groups use these interim months to identify and test the most effective methods of contributing to the relief and rehabilitation of Afghanistan's war-torn countryside.

The Committee recommends that the Agency for International Development, in cooperation with other appropriate agencies, undertake immediate rigorous testing and evaluation of new technologies in earthen construction that promise to reduce the cost and time required to reconstruct villages in Afghanistan.

SCIENCE AND TECHNOLOGY

Appropriation, 1988	$8,662,270
Budget request, 1989	8,662,270
House allowance	8,662,270
Committee recommendation	8,662,270

The Office of the Science Advisor seeks to take advangage of breakthroughs and advances on the cutting edge of science and to explore the potential uses of new and particularly innovative technologies that are related to international development. Concurrently, the Office seeks to strengthen the capacity of less developed countries to apply these new technologies. The program emphasizes innovation, for example, biotechnology, genetic engineering, tissue culture, immunochemistry, biological control of disease-carrying organisms, the development of new food and tree crops, et cetera. This modest program is an important instrument of AID's policy to collaborate with LDC scientists in establishing priorities for future programs of technology transfer.

For 1988 the Committee reduced funding for a collaborative relationship with the National Academy of Sciences [NAS]. In view of the fact that the NAS has been substantially unsuccessful in raising matching dollars from sources other than AID, this reduced level of $2,000,000 should become a maximum into the future. AID is urged to develop a new relationship wherein NAS provides more direct and coordinated support to the Program in Science and Technology Cooperation [PSTC]. Additional funds or savings to be realized from a new NAS relationship should not be used for supporting services from NAS, but rather for PSTC grants, particularly to researchers in developing countries.

The Office of the Science Advisor has initiated an agencywide young scientist fellowship program in cooperation with the American Association for the Advancement of Science [AAAS]. In order to provide an opportunity for the very best of young researchers such as these to work more permanently with AID, the Committee directs that one additional full-time position be allocated to the Science Advisor.

MICRO ENTERPRISE LENDING TO THE POOR

The Committee earmarks $75,000,000 from the funds appropriated by this act to carry out part I and chapter 4 of part II of the Foreign Assistance Act of 1961, or from local currency which may accrue as a result of assistance provided under this act and under the Agricultural Trade Development and Assistance Act of 1954, for the Micro Enterprise Lending for the Poor Program. The funds are earmarked to promote microenterprises in developing countries through provision of credit and other assistance as necessary.

The Committee strongly encourages the Administrator of the Agency for International Development to initiate loans in this program to enterprises having 10 or fewer employees owned and operated by the poorest 20 percent of the population and requiring loans of less than $300.

The Committee applauds the decision of the Micro Enterprise Advisory Committee recommending that the Agency allocate at least 50 percent of the resources of this program for enterprises owned and operated by women. The Committee strongly recommends that the Agency incorporate this guidance into the implementation of the program.

The Committee urges AID to work with the Micro Enterprise Advisory Committee to implement the will of Congress, which is to assure that credit reaches the poorest people. The Committee looks forward to the expeditious implementation of this program.

SUB-SAHARAN AFRICA, DEVELOPMENT ASSISTANCE

Appropriation, 1988	$500,000,000
Budget request, 1989	460,000,000
House allowance	500,000,000
Committee recommendation	500,000,000

The Committee recommends $500,000,000 for development assistance to sub-Saharan Africa for fiscal year 1989. This is the same level as in the House bill. In recognition of the close link of the achievement of specific development objectives to the successful implementation of macroeconomic policy reform, funds made available under this section may be used for any of the purposes for which development assistance can be used, and for macroeconomic policy reform in support of development objectives.

A primary reason for the Committee's support for a separate fund for Africa was its view that a major reason for poverty in Africa has been the adoption of African governments of inappropriate economic policies at both the macroeconomic and sectoral level. These policy problems have been recognized by the African governments themselves as evidenced at the United Nations special session on Africa in June 1986.

The Committee finds that the macroeconomic framework has a direct and important effect on poverty and the quality of life among Africa's poor. The Committee also recognizes that meeting the objectives of the Foreign Assistance Act requires AID to be active on macroeconomic, sectoral, and project levels. Policy reforms by themselves are not sufficient to bring about sustainable growth and the eradication of proverty, but must be accompanied by a series of project interventions aimed at improving the institutional capacity, the human resource base, and the ability to adopt new and more beneficial technologies.

At the same time, the Committee recognizes that development projects cannot be successful or sustainable in an economic environment which does not encourage domestic resource mobilization and an efficient allocation of these resources. The right mix of macroeconomic reform, sectoral reform, and project activities will depend on the economic situation of the recipient country, the role of other donors, and the size and breadth of the AID program.

The importance of attacking development problems on a broader front than allowed by the traditional AID mode of project assistance is demonstrated by the bill language appropriating the funds for Sub-Saharan Africa. The Committee believes that it has provided AID with a statutory framework with which to foster sustained economic growth. We must avoid saddling Africa—and other regions—with a multitude of projects which can, given scarce, human and financial resources, never

hope to be replicated or sustained. In the medium to long term, it is economic growth that will be the driving force in achieving development objectives on a broad scale. At the same time, the Committee cautions AID that its sector programs must be carefully designed to show a demonstrable and clear link with sectoral objectives both in the use of dollar and local currency resources.

The Committee considers it prudent to encourage and support those African nations which have implemented the difficult economic reforms urged by the United States—such as Ghana and Tanzania. The Committee also recommends, however, that the Agency for International Development continue to work with and maintain a presence working in cooperation with a regional office in those countries which have not made as much progress, such as Sierra Leone, in order to assist these nations in the implementation of those economic reforms urged by the United States.

The Committee does not earmark funds for particular uses. However, it is the Committee's understanding that AID will continue to provide significant amounts of project assistance for development purposes. In this regard, it is the Committee's expectation that AID will set, as a target, the obligation of at least the equivalent of 10 percent of the funds appropriated by this provision for sub-Saharan Africa for activities in the following sectors: (1) maintenance of the natural resource base, including agricultural activities which directly support this purpose; (2) improvements in health conditions, with special emphasis on the needs and education of mothers and children, including at least $29,000,000 for child survival activities; and (3) voluntary family planning.

By establishing a target of at least 10 percent for each of these sectors, the Committee encourages AID to use resources available from the separate sub-Saharan Africa account and its centrally funded programs in order to achieve these levels of assistance.

In this regard, the Committee believes that critical to effective long-term development is the support and development of indigenous institutions, especially agricultural education institutions, to train and educate Africans to address their own problems, thereby improving food production. In programming these funds, the Committee expects AID to support programs which would strengthen and develop such educational institutions, in consultation with the Board for Food and Agricultrual Development.

It is the Committee's intent that provisions of law that make specific reference to the development sections of the Foreign Assistance Act shall apply to the sub-Saharan Africa, development assistance account as well. Thus, provisions of law that make reference to any one or all of sections 103 through 106, section 121, or chapter 1 of part I of the Foreign Assistance Act will apply to funds made available from this appropriation account. For example, section 105 of that act designates funding for assisting victims of apartheid in South Africa. Funding for such activities would be derived from the ESF and sub-Saharan Africa accounts rather than the ESF and education and human resources development assistance accounts.

SOUTHERN AFRICA, DEVELOPMENT ASSISTANCE

Appropriation, 1988	$50,000,000
Budget request, 1989	50,000,000
House allowance	50,000,000
Committee recommendation	50,000,000

The Committee is recommending the appropriation of $50,000,000 in development assistance funds to be used for the member States of the Southern Africa Development Coordination Conference [SADCC]. This assistance is to be used to carry out urgent sector activities supported by SADCC, and is consistent with the actions the Committee took in last year's bill.

The region faces serious problems. The transportation network has been disrupted by conflict in the region and is too closely tied to South Africa. Population growth continues to outstrip increases in food production. The region will need to double food output over the next two decades just to keep up with projected population growth. Job creation is another issue, with many countries depending on remittances from their nationals who are employed in South Africa. Political or economic disruptions in South Africa will continue to have a significant ripple effect in the SADCC region.

As a result of these factors, the nine states of southern Africa formed the Southern Africa Development Coordination Conference in 1980 with the goals of coordinating regional development and reducing their economic dependence on South Africa. To avoid excessive management, SADCC devised a decentralized system of regional planning and coordination, with each member country being assigned responsibility for a particular development sector.

The Committee's action in this bill is supportive of the SADCC effort and the priorities that SADCC has established for itself to enable achievement of its goals.

Funding under this section is prohibited to Angola and Mozambique unless, in the case of Mozambique, the President certifies that to provide assistance is in the national interest.

The Committee reiterates its strong support for prohibiting assistance to Angola. The Committee does, however, believe that Angola holds vast economic potential which as been severely retarded by the ongoing civil war. This economic promise could contribute to the long term development needs of Africa as well as assist in the dismantlement of apartheid in South Africa.

The Committee will carefully consider and review results on negotiations between UNITA and the MPLA to end this civil war. National reconciliation and the removal of Cuban, Soviet, and South African forces would encourage this Committee to consider establishing assist-

ance programs in Angola. Resolving the 13-year civil war and rebuilding the Angolan economy are mutually admirable goals for African and United States geopolitical concerns.

PRIVATE SECTOR REVOLVING FUND

(By Transfer)

Fiscal year 1988 level	($9,000,000)
Fiscal year 1989 request	(8,500,000)
House allowance	(9,000,000)
Committee recommendation	(9,000,000)

(Limitation on Direct Loans)

Fiscal year 1988 level	$12,000,000
Fiscal year 1989 request	(5,000,000)
House allowance	(12,000,000)
Committee recommendation	(12,000,000)

(Limitation on Guaranteed Loans)

Fiscal year 1988 level	.....
Fiscal year 1989 request	($100,000,000)
House allowance	(25,000,000)
Committee recommendation	(50,000,000)

The purpose of the Private Sector Revolving Fund is to promote economic development by encouraging the growth of the private sector in developing countries. The basic rationale for this program is that the development of private enterprise in developing countries is vital to their economic growth and to the development of a stable, free, and equitable international economic climate.

Projects funded by the revolving fund involve cofinancing by private entities amounting to 50 percent or more of the project risk. In a typical revolving fund direct loan transaction, AID will enter into an agreement with a local lending bank, (for example, the Philippines Farmers Bank) where AID will assume 20 to 50 percent of the risk of the bank's loss on loans to small or microbusiness on the condition that the local bank adjust its lending practices to give this class of private enterprise access to credit.

The Committee is also recommending authority for the revolving fund to enter into guarantees in addition to its Direct Loan Program. The authority recommended in the bill would increase significantly the ability of the fund to participate in private sector activities without increasing levels of budget authority and outlays. Experience has shown that most small-scale enterprises need local currency, not dollars. Local lenders hesitate to serve the small business market not because of lack of cash to lend, but because of an aversion to the risk involved. This

risk would be reduced through the issuance of guarantees from the fund.

The guarantees would be backed by a reserve account held by the Treasury consisting of assets in the revolving fund and transfers of development assistance funds. One dollar of reserve funds wouild be set aside for every $4 equivalent value of contingent liability. The reserve would be drawn against only in event of default. The use of guaranties is not expected to affect the kinds of projects implemented by the fund. The basic authorizing statute, section 108 of the Foreign Assistance Act, remains unchanged as to the program's purpose and focus. The same restrictions applicable to direct loans will apply to guarantied loans. The Direct Loan Program would continue in order to finance those projects for which a guaranty approach is not practical.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Appropriation, 1988	$40,000,000
Budget request, 1989	30,000,000
House allowance	30,000,000
Committee recommendation	40,000,000

The American Schools and Hospitals Abroad [ASHA] Program provides grants to institutions overseas sponsored by U.S. citizens or organizations. The assistance provided by this program is intended as a supplement to their regular funding, and grants are awarded under specific criteria.

The Committee's recommendation for the ASHA Program reflects the almost universally high regard in which its activities are held. Unfortunately, overall budget constraints limit the Committee's ability to provide funding for the program at a level which would allow funding of all of the grant proposals submitted for the programs' consideration. Traditionally, the ASHA Program has received many more requests for funding than it has been able to fulfill.

In this regard, the Committee last year expressed its concern that requests for ASHA funding are at times at variance with the programs' selection criteria, thus raising the possibility that the original aims of the legislation which created ASHA are being diluted. The result has been that legitimately qualified institutions have been, in effect, penalized as a result of funding provided to organizations which may not fully comply with the programs' stated criteria.

The Committee felt that the increased demand for the program to fund proposals which do not fully comply with these criteria made it advisable to reprint in its entirety the published selection criteria to attempt to ensure that the purposes of the program are not diluted. The Committee's concerns on this issue persist and for that reason it is again reprinting the ASHA program criteria.

The Committee has been very disappointed with the response of AID's American Schools and Hospitals Abroad Office to the Committee's request that it examine the possibility of revising eligibility criteria to permit institutions which provide assistance to those who are mentally or physically impaired to compete for ASHA grants. The Committee does not view the existing statutory framework as preventing institutions which otherwise qualify under section 214 of the Foreign Assistance Act, and which specialize in whole or in part in caring for the mentally or physically impaired, from competing in the ASHA Program. The Committee does not believe that ASHA's too narrow understanding of its mandate is either compelled by legislation or is in the best interests of the program. The Committee once again asks

that AID look at the selection criteria with the objective of expanding it to include institutions which assist the physically and mentally impaired. The Committee expects the Agency's response by no later than December 1, 1988. The Committee reminds ASHA that a primary function of its office is to facilitate the grant process and the participation of institutions which represent the American values we all would like to see fostered throughout the world. The ASHA Office can achieve this objective by being more inclusive in the criteria it uses to determine program eligibility, by assisting applicants to prepare grant proposals, and by broadening the geographic distribution of the grantees to include an increasing number from Asia and Africa. Instead of throwing up innumerable obstacles to the participation of a broad spectrum of institutions, the ASHA Office should be concentrating on taking steps, such as those the Committee has identified, to be as inclusive and helpful as possible in encouraging participation in the program. The Committee hopes that these problems within the ASHA Office are only a recent aberration and do not represent a change in the approach taken by the Office to its responsibilities in administering the program, and expects that the AID Administrator will take appropriate steps including the assignment of additional personnel to the ASHA Office to ensure that the concerns expressed by the Committee are properly addressed.

PROGRAM CRITERIA

Pursuant to section 214 of the Foreign Assistance Act of 1961, as amended, grant assistance is made available to selected schools, libraries, and hospitals overseas founded or sponsored by U.S. citizens and serving as study and demonstration centers for ideas and practices of the United States and as centers for medical education and research. Grants made under this program help such institutions demonstrate to people overseas the achievements of the United States in education and medicine.

In evaluating requests for assistance AID will apply the following criteria:

One, the applicant should be a nonprofit U.S. organization which either founded or sponsors the institution for which assistance is sought. Preferably, the applicant should be tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1954.

The applicant must demonstate a continuing supportive relationship with the institution. Evidence of this would be the provision of financial and management support for the institution.

Two, an instruction program must serve the secondary or higher level and must reflect American educational ideas and practice (education at the elementary school level will not be supported).

A school offering a broad-based academic program must include instruction on the history, geography, political science, cultural institutions or economics of the United States. English should be used in instruction or taught as a second language. However, the foregoing subject

matter and language requirements need not apply to a school offering a specialized course of study.

Three, institutions are expected to reflect favorably upon and to increase understanding of the United States.

Four, a hospital center, in addition to being a treatment facility, must be involved in medical education and research.

Programs for postgraduate training of staff in the United States and programs for the exchange of personnel with American institutions will be regarded as evidence of ability to demonstrate American ideas and practices in medicine.

Five, the faculty and staff of a school or a hospital center should include a significant number of U.S. citizens or other persons trained in U.S. institutions who are in residence and teaching at the school or hospital center on either a full-time or part-time basis.

Six, the majority of the users of any institutions, for example, students or patients, must be citizens of countries other than the United States.

Seven, an existing institution must demonstate competence in professional skills and must exhibit sound management and financial practices. An applicant for a new institution must demonstrate the ability to achieve professional competence and to operate in accordance with sound management and financial practices.

Eight, the institution must be open to all persons regardless of race, religion, sex, color, or national origin. (The above shall not be construed to require enrollment of students of both sexes at an educational institution enrolling boys or girls only.) Assistance may not be used to train persons for religious pursuits or to construct building or other facilities intended for worship or religious instruction.

Nine, the institution must be located outside the United States and should not be under the control or management of a government or any of its agencies. The receipt of financial or other assistance from a government or government agency or the observance of national educational or medical standards required by the country where the institution is located does not in itself mean that the institution is under the control or management of such government.

Ten, an applicant requesting capital construction assistance must provide information sufficient to permit a firm estimate of the total cost to the U.S. Government of the construction for which assistance is requested. Such an applicant must also provide information and assurances with respect to rights to the land on which construction is planned.

Eleven, to help achieve the objectives of the Foreign Assistance Act and ensure that the American Schools and Hospitals Abroad Program is as geographically balanced as possible, special consideration will be given to applications for institutions which increase the geographic distribution of the program and contribute to the economic and social progress of areas that are the focus of AID's development efforts.

AMERICAN UNIVERSITY OF BEIRUT

The Committee has historically been a strong supporter of the work of the American University of Beirut [AUB] as an institution which has cultivated a respect for the American ideal of free, independent thought and which has provided essential medical care to the Lebanese people. The broad support that AUB has enjoyed throughout the Middle East has made it an asset for promoting understanding between the United States and the Arab world. For this reason, the Committee expects that in fiscal year 1989 AUB will receive support from the ASHA account at least equal to the assistance it received in fiscal year 1988. The Committee also notes its support for the administration's ESF request for AUB.

In spite of an improved security climate, AUB still faces significant hardships as a result of the economic situation in Lebanon. It also continues to experience great pressure on its budget from hospital operations since it is not reimbursed for care of the wounded and indigent. The Committee has received information that AUB is making strides in expanding its financial support from American foundations, its alumni, and middle Eastern governments, but it still anticipates an $11.000,000 deficit in fiscal year 1989. The Committee believes it greatly serves American interests to ensure that AUB can continue to play its historical role in fostering free discussion and independent thought in the Middle East, and it has made resources available, in the "American schools and hospitals abroad" account and elsewhere, to enable AID to provide $11,000,000 in assistance to the university.

INTERNATIONAL SCHOOL OF AGRICULTURE, HEBREW UNIVERSITY

The International School of Agriculture [ISA] of the Hebrew University was established as a means of sharing Israeli agricultural expertise and experience with developing countries through extensive programs of research, experimentation, and technology transfer. The Committee has been informed that the school's director of research and director of communications are both Americans, and that most faculty members have close ties with American institutions and professional organizations. The Committee believes that the objectives, character, and American connection of the International School of Agriculture fit squarely within the criteria of the ASHA Program and is disturbed to learn of allegations that ASHA officials have erected artificial barriers to its participation in the application review process. The Committee directs ASHA officials to work closely with ISA to modify its existing application so that it meets the requirements for consideration and is in no way disadvantaged, or prejudiced, in the funding process. Especially in light of the contribution the school can make toward the alleviation of chronic food shortages in developing countries, particularly in Africa, the Committee expresses its strong support for the university and recommends that favorable consideration be given to the ISA funding request for fiscal year 1989.

Members of the Committee have expressed particular interest in the following institutions. The Committee directs AID to consider providing sufficient funding for them in fiscal year 1989:

SCHUTZ AMERICAN SCHOOL

For over 60 years, the Schutz American School in Alexandria, Egypt has served as an outstanding model of American education for children in the Middle East. As the oldest American secondary school in the region, it has an impeccable reputation for quality teaching and learning.

The Committee is aware of an opportunity for ASHA to assist the school in establishing two new innovative academic centers—a Center for Arabic Studies and a Computer Training Center—which would be the first such high school programs in the area. The Committee encourages ASHA to provide support for this very worthwhile project.

BETH DAVID INSTITUTE

The Beth David Institute is a residential home on 7.5 acres in Jerusalem for mentally handicapped children and adults. Beth David employs the most modern therapeutic approaches and provides the most up-to-date psychological and psychiatric services. The Institute plans to offer rehabilitation programs in a wide range of fields. Should this program be fully funded and completed, Beth David will be able to service daily approximately 400 handicapped people of all ages with a range of problems through its inpatient and outpatient service facilities.

SHAARE ZEDEK HOSPITAL

Shaare Zedek is Jerusalem's sole provider of acute geriatric care. In 1981, Shaare Zedek responded to the critical scarcity of geriatric and chronic care facilities in Jerusalem by opening a 53-bed unit. This unit, however, has been overwhelmed by the pressing needs of the Jerusalem community. It is critical that the geriatric and chronic care capabilities and programs of Shaare Zedek be expanded.

ELWYN INSTITUTE

Elwyn Institute presently serves 250 mentally retarded individuals daily at two facilities in Jerusalem, one in West Jerusalem and the other in East Jerusalem. Elwyn requires funding to develop additional program locations which will serve the entire city of Jerusalem. The institute also plans to expand existing activities and implement new programs.

MOTHERS AND BABIES HOSPITAL IN JERUSALEM

Mothers and Babies Hospital fills an urgent need for a facility in Jerusalem to care for newborn children and their mothers. Since the opening of the hospital in 1973, the needs of the community rapidly have outgrown the hospital's capacity. The hospital seeks funding from the Agency for International Development for construction of a new

wing to enable the hospital to increase the number of patients it serves and to institute educational and lecture programs in the local community.

THE SIMON MAZORODZE INSTITUTE

The Simon Mazorodze Institute in Zimbabwe is a medical education and biomedical research project sponsored by the Kapnek Charitable Trust of the United States and Zimbabwe. This project will provide resources to the medical and scientific faculties of Zimbabwe and serve as a major health training resource for the entire SADCC region. The Kapnek trust has pledged a matching grant of $1,200,000 and has established a private sector fundraising committee comprised of representatives of United States and British affiliated companies to provide ongoing support of this project. In addition, exchange agreements have been established with American universities to provide training opportunities for American medical staff and researchers. This project provides an excellent vehicle for establishing ongoing cooperation between the United States and the Republic of Zimbabwe.

FUDAN FOUNDATION AND AMERICAN HOSPITAL IN SHANGHAI FOUNDATION

Two United States-based nonprofit organizations—Fudan Foundation and the American Hosptial in Shanghai Foundation—were established to promote improved relations between the United States and China. They are currently supporting ASHA-sponsored projects that are models of Sino-American cooperation in the fields of education, science, technology, medicine, and trade.

The Fudan Foundation is working with Fudan University in Shanghai to develop two new academic centers—a center for American studies and the Thomas H. Morgan Science Center—that will provide a unique opportunity for Chinese students to study American culture, history, literature, and science in their own country with instruction by visiting American scholars, public officials, and distinguished scientists, business professionals, and others. The American Hospital in Shanghai Foundation, in cooperation with the Shanghai Municipal Health Bureau, is developing new medical facilities to provide high-quality medical care with state-of-the-art equipment and technology. This project also involves an up-to-date medical teaching program conducted by visiting American doctors, nurses, and other medical professionals for their Chinese counterparts.

The Committee has received very positive reports about the progress of these projects in China. They will serve not only as demonstration centers for American teaching programs, but also as showcases for American products and services, thus creating both goodwill and trade opportunities for U.S. businesses.

The Committee believes that these projects merit continued ASHA Program funding support and encourages AID to look favorably on the foundations' proposals for fiscal year 1989.

PROJECT ORBIS

The Committee strongly urges the Agency for International Development to fully fund the requests for assistance for Project ORBIS. The Committee believes that Project ORBIS has been remarkably successful in fighting blindness worldwide, through providing modern, onsite medical and surgical ophthalmic services and through transferring their skills to ophthalmologists in developing nations.

Waterford Kamhlaba School.—Founded 25 years ago, the Waterford Kamhlaba School in Mbabana, Swaziland, has grown to a secondary school population of some 400 students representing more than 40 countries but drawn most heavily from the countries of southern Africa. It represents a beacon of quality nonracial education in the region, with an active and growing effort to recruit scholarship students from the townships of South Africa. Waterford Kamhlaba's growth has rendered many of its facilities grossly inadequate, and the school can spend its own meager resources to upgrade them only by penalizing its small scholarship program. The Committee believes that Waterford Kamhlaba is educating the training the next generation of leaders for the countries of southern Africa and feels strongly about the need for our own country to demonstrate our faith in and commitment to its mission. We strongly urge ASHA to look favorably on Waterford Kamhlaba's application to expand and improve its physical facilities.

INTERNATIONAL DISASTER ASSISTANCE

Appropriation, 1988	$25,000,000
Budget request, 1989	25,000,000
House allowance	25,000,000
Committee recommendation	25,000,000

The Office of Foreign Disaster Assistance [OFDA] is the principal vehicle of the U.S. Government for responding to natural and manmade disasters in other countries. Over the years, OFDA has gradually broadened the scope of its operations to include activities which promote disaster preparedness, the development of disaster early warning systems, contingency planning programs, and the development of low-cost programs which will help to mitigate the effects of future disasters. Assistance provided through the OFDA is a tangible demonstration to its recipients of the concern of Americans for those suffering the effects of natural and manmade disasters. As such, it is a worthy expression of traditional American values of helping others in time of need. In particular, OFDA has developed a well-deserved reputation for its ability to respond quickly to immediate disaster requirements.

LOCUST INFESTATIONS IN AFRICA AND THE MIDDLE EAST

The Committee is concerned about the explosive outbreak of desert locust which threatened northern Africa this year. This outbreak, traceable to the winter of 1985–86, is the worst in this century. Predictive models of the global costs for locust control operations between now and December 1988 will amount to at least $260,000,000. The costs could be much higher.

Given the severity of the problem and the need to focus coverage on high-priority areas, the Committee recommends that the Agency for International Development establish an interagency task force to coordinate actions with other donor organizations, including the Food and Agricultural Organization [FAO]. The Committee urges AID to work with the Department of Agriculture in the procurement and distribution of pesticides of U.S. origin through the facilities of the USDA-operated pesticide bank. The Committee believes that AID should not attempt to establish a similar pesticide bank, since that would be wastefully duplicative. Use of the existing pesticide bank would facilitate distribution of needed pesticides by drawing on prepositioned stocks in Europe or other areas closer to their source of need.

The Committee commends AID for the stand it has taken against the use of the long-lasting chlorinated hydrocarbon pesticide dieldrin in

locust infested areas. At the present time, the FAO continues to advocate dieldrin despite the clear dangers of use, especially where supervision is likely to be inadequate. The Committee directs the Department of State and the Environmental Protection Agency to assist AID in convincing the FAO, and countries that either finance or advocate the use of dieldrin, that it is in the best interest of locust-affected countries that dieldrin not be used. The Committee further directs AID to ensure that no U.S. funds are used for the procurement of equipment or supplies that would permit dieldrin to be used by AID-assisted countries.

The Committee further urges AID to utilize American-origin products to combat locust infestation wherever possible. The Committee encourages AID to place greater emphasis on instructing locust control authorities in the proper selection, appropriate timing, and technique of pesticide application. This would reduce the waste that accompanies improperly applied products. To the extent possible, the Committee encourages the demonstration of various formulations of the same active ingredient for either aerial or ground sprays as well as baits, depending on the requirements of the locust infestation.

In general terms, the Committee is concerned that AID has not been active enough in dealing with the locust crisis. The Committee encourages AID to become more proactive regarding the locust situation in both North America and the Sahel. While it is important to work closely with the FAO, there appear to be instances where bilateral locust control programs would be more effective.

By the same token, it is important that AID take a strong lead role among the other donor communities to ensure the most effective use of U.S. funds. Such steps should include: (1) organizing donor discussions to press aid recipient countries for agreement on moving unneeded pesticide stocks between countries to areas of immediate need, thus reducing the likelihood of product deterioration from improper and long storage; and (2) reaching agreement with other donors on how requests for assistance are to be filled, so as to reduce duplication of supplies and avoid the provision of untested equipment or chemicals.

Given the expectation that locust control will be needed for the next several years, the Committee recommends that AID establish effective regional and bilateral projects to effect better cooperation among affected countries and provide leadership among the donor organizations. To the extent that Public Law 480 resources could be useful to locust suppression programs—for example, through the establishment of food for work programs or the use of counterpart funds—these should also be considered.

The Committee recognizes that the assistance provided against current locust infestations is assistance of an emergency nature, and believes that the proper lead element of AID to coordinate these efforts is the Office of Disaster Assistance. The Committee believes that to the extent that disaster assistance funds are utilized for locust control, regular country program funds, especially Economic Support Fund

assistance for those countries, should not be utilized to reimburse OFDA. The Committee has always responded generously and promptly to budget requests for foreign disaster assistance and would expect to do so in the future, if such requests are justified.

To the extent the famine early warning system [FEWS] program can be expanded to cover locust-infested countries in the Asia and Near East Bureau, this should be done. FEWS should also assist the interagency task force in determining likely rainfall patterns in Africa and, hence, assist in predicting the severity of the locust problem.

Following is a table detailing fiscal year 1988 obligations and availabilities of disaster assistance funding as of April 15, 1988:

Fiscal year 1988 international disaster assistance

Total available for 1988	$25,000,000
Relief and rehabilitation (worldwide):	
Africa regional insect infestation [2]	26,772
Algeria insect infestation (December 29, 1988) [3]	137,949
Algeria insect infestation (March 27, 1988) [3]	41,905
Argentina floods	5,000
Benin epidemic	20,000
Bermuda hurricane (fiscal year 1987)	46,450
Brazil floods	125,000
Burkina Faso insect infestation [2]	10,600
Burma fire	25,000
Chad rodents (fiscal year 1987)	9,195
Costa Rica floods	105,000
Ecuador earthquake (fiscal year 1986)	28,000
Ethiopia drought (fiscal year 1987)	10,543,101
Guinea-Bissau cholera	28,749
Lesotho floods	25,000
Mali insect infestation (fiscal year 1987)	5,541
Mali yellow fever	21,333
Mauritania yellow fever epidemic	23,605
Morocco insect infestation (November 5, 1987)	446,686
Morocco insect infestation (March 15, 1988)	918,047
Mozambique civil strife	1,400,000
Niger insect infestation (fiscal year 1987)	8,500
Panama civil emergency	215,000
Philippines typhoon	890,165
South Africa floods (fiscal year 1987)	42,787
South Africa food shortage	200,000
Sri Lanka displaced persons	26,826
Sudan drought	162,526
Thailand displaced persons	10,000
Truk cyclone [4]	136,094
Tunisia insect infestation	591,625
Uganda droughts	25,000
Vanuatu cyclone	25,000

Regional disaster supply stockpiles	1,183,900
Disaster preparedness and technical assistance	6,000,000
Total programmed or obligated (as of March 31, 1988)	23,510,356
Balance available	1,489,644

[1] Excludes $2,955,620 in fiscal year 1987 carryover.
[2] Fiscal year 1987 disaster.
[3] Date of disaster declaration.
[4] To be reimbursed by FEMA.

PAYMENT TO THE FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

Appropriation, 1988	$35,132,000
Budget request, 1989	40,532,000
House allowance	40,532,000
Committee recommendation	40,532,000

The Foreign Service Retirement and Disability Fund is a mandatory expense of the Agency for International Development. The Committee recommends the appropriation of the full budget request.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Appropriation, 1988	$406,000,000
Budget request, 1989	414,000,000
House allowance	414,000,000
Committee recommendation	414,000,000

OVERVIEW

The Committee's recommendation for AID's operating expenses reflects the characteristic which most distinguishes the U.S. foreign assistance program from that of all other donors—fully staffed overseas missions whose personnel work closely with their host country counterparts to bring about economic and social change. This cadre of development professionals is the most valuable tool at our disposal to address the long-term needs of developing countries. This Committee in the past has shown its support for this concept by, for example, encouraging increased training for AID staff in specialized skill areas, and promoting the expansion of AID's International Development Intern Program as an effective way of bringing bright young people into the Agency. AID has supported the concept of strengthened field missions through a program which stresses the decentralization of responsibiiity. The Committee recognizes the validity of this approach and understands that its continuation entails significant fixed costs. At the same time, however, decentralization has lead to a series of management issues (pertaining to the use of local currencies, salary suplements, AID/Washington field mission responsibilities) which the Committee noted in last year's report and which the Agency is now attempting to address effectively.

The strength of AID's program has always been its system of field missions through which most of our bilateral economic assistance is provided. While management issues may arise at times because of the decentralized nature of the AID administration, the benefits derived from having representatives of the United States working in close cooperation with their host country counterparts far outweigh the difficulties involved in addressing those management issues. The staffing of missions overseas and the requirements to provide the necessary support in Washington for those missions is costly. Salaries, benefits, and allowances make up the bulk of the AID operating expenses account. This Committee has been a vigilant watchdog over AID funding, most particularly AID operating expenses. It was this Committee which first insisted that the Agency establish a separate accounting from which to fund its costs of doing business.

It should be realized, however, that the cost of having a people-intensive foreign assistance program is considerable and will require greater resources in the future. The Congress has made a conscious choice that the U.S. foreign assistance program should emphasize assistance for the poorest people in developing countries in the form of projects and activities that will address their fundamental and basic human needs, rather than a program which relies exclusively on resource transfers. Moreover, it has also asked the Agency for International Development to take a lead position in promoting significant policy reforms in aid-recipient countries. To effectively perform both functions, the Agency requires a cadre of highly skilled and dedicated employees willing to work in conditions of physical hardship and family deprivation. Nonetheless, the Agency and its employees have served U.S. interests well. If the Agency for International Development is to be able to continue its multifaceted role, the Congress must recognize the importance of providing it with the necessary operating expenses with which to hire and retain quality personnel and to perform its functions effectively. Consequently, the Committee has recommended the appropriation of the amount requested by the administration.

The Committee would also draw attention to the relationship between AID's operating expenses and the availability of local currencies to support its costs of doing business overseas. In many of its field missions, particularly in Central America, AID relies on local currencies generated or otherwise made available from Economic Support Fund assistance to defray its local operating costs. To the extent that AID can use local currencies for this purpose, it reduces the need to seek additional dollar appropriations. In effect, the continued availability of local currencies for this purpose is built into the level of ESF assistance provided to the aid-recipient country. Reducing aid levels of ESF assistance will also reduce the amount of local currencies AID will then have available for its operating expenses.

FUTURE TRENDS

The Committee is pleased that AID accepted the Committee's recommendation to chair a meeting of representatives from appropriate congressional committees to assess the future role, responsibilities, and direction of the Agency. The meeting called by AID was well attended and the free exchange of ideas was, we believe, a valuable experience for all those who attended. The Committee would hope that this is only the first of such meetings to discuss the future of our foreign assistance programs. Increasingly as budget pressures force both the Congress and the administration to make hard foreign policy decisions as to where to place assistance resources, sessions like that chaired by AID become an important vehicle for bringing greater coherence to the foreign assistance program.

In a similar vein, the Committee is pleased with the recent successful meeting between officials representing the Agency for International Development and the Government of Japan sponsored by the East-

West Center. The Committee continues to believe that the effectiveness of efforts to assist developing countries will be significantly enhanced by increased coordination among the donor community. The Committee understands that AID will be preparing a proposal for their Japanese counterparts specifying the areas in which the Agency feels the United States and Japan can coordinate their assistance programs. The Committee further understands that country-specific project level coordination was discussed along with the feasibility of exchanging country data and information pertinent to coordination of aid projects.

As part of this conference, it was suggested by the Japanese delegation to regularize the meetings held between the United States and Japan on a periodic and systematic basis to discuss the pertinent development assistance and coordination issues. The Committee fully supports this concept and, given the apparent success of the recent conference, suggests that the East-West Center would be the appropriate organization to organize future meetings.

AID'S ROLE IN FORMULATING U.S. ECONOMIC ASSISTANCE STRATEGY

The Committee applauds AID's efforts to program economic assistance in a way that encourages recipient countries to make sensible reforms in their economic policies. AID has adopted economic policy reform as one of its principal objectives and has achieved particularly impressive results in Africa and Central America, where recipient countries have been persuaded that it is in their interest to adopt sound economic policies.

Evidence has shown that when AID is given the political support of the Department of State to insist on economic change as a condition for assistance, its ability to help countries achieve economic growth with equity is greatly enhanced. The Committee supports this initiative and believes that, if it is to fully succeed, AID should occupy a principal chair at the administration policy table where overall foreign assistance levels and programs for specific countries are determined. The Committee hopes that this support extends within the Federal Government to the Departments of State, Treasury, and Agriculture as well as to OMB and the NSC, so that AID continues to be fully included in the decisions which affect the direction and overall strategy of foreign economic assistance.

MINORITY SET-ASIDE

The Committee has recommended bill language which is the same as current law earmarking a minimum of 10 percent of the development assistance funds to be available for activities of economically and socially disadvantaged enterprises. These include: historically black colleges and universities, and colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or native Americans.

The following three tables show the funding sources for AID operating expenses, a comparison of operating expenses to program funds, and operating expenses by object, class, and major location.

FUNDING SOURCES FOR AID OPERATING EXPENSES[1]

[In thousands of dollars]

Funding sources	Fiscal year— 1987 actual	1988 estimate	1989 proposed
Operating expense budget authority	$348.294	$406.000	$414.000
Local support costs:			
Functional development assistance	21.689	.....	.....
Economic support fund	14.838	.....	.....
Sahel Development Program	1.961	.....	.....
Total appropriated funds	386.782	[2]406.000	414.000
Local currency trust funds	57.525	57.344	51.774
Reimbursements	6.274	5.500	5.500
Mandatory turnback to Treasury	(3.868)		
Lapsed funds	(238)		
Total requirement	446.475	468.844	471.274

[1] Excludes fee income from the Housing Guaranty Program used to cover administrative costs of this program and costs funded from the separate appropriation for operating expenses of the IG.

[2] Ninety percent of the increase from fiscal year 1987 to fiscal year 1988 is required due to the higher work force levels, increased retirement costs under the new retirement system and salary costs from the 1987 and 1988 Federal pay raises.

COMPARISON OF OPERATING EXPENSES TO PROGRAM FUNDS:

[Fiscal years 1982 thru 1988]

[Dollar amounts in millions]

	Fiscal year—						
	1983 actual	1984 actual	1985 actual	1986 actual	1987[2] actual	1988[2] estimate	1989[2] proposed
Development assistance...	$1,441.4	$1,468.4	$1,862.3	$1,696.9	$1,640.5	$1,727.8	$1,650.0
Economic Support Fund..	2,971.4	3,146.3	5,247.4	4,913.0	3,897.4	3,266.9	3,281.0
Disaster assistance.....	104.8	207.5	127.8	90.7	86.4	29.8	25.0
American schools and hospitals abroad	20.0	30.0	30.0	33.5	35.0	40.0	30.0
Total program.....	4,537.7	4,852.2	7,267.5	6,734.1	5,659.3	5,064.5	4,986.0
Operating expenses[3].....	357.0	375.4	397.4	403.0	410.6	430.0	437.1
Total budget	4,894.7	5,227.6	7,664.9	7,137.1	6,069.9	5,494.5	5,423.1
Operating expenses as percent of:							
Total program.....	7.9	7.7	5.5	6.0	7.3	8.5	8.8
Total budget.....	7.3	7.2	5.2	5.6	6.8	7.8	8.1

[1] Data excludes amounts for Public Law 480 programs and refugee assistance for which AID has extensive management responsibilities, peacekeeping operations, housing guaranty programs, trade and development program, and payments to the Foreign Service Retirement and Disability Fund.

[2] Increase in fiscal year 1987–88 operating expense costs due primarily to costs associated with the new retirement system for Federal employees which will be funded from this account instead of from the special retirement appropriations.

[3] Fiscal year 1986 and beyond includes the operating expenses of the inspector general; fiscal years 1983, 1986, and 1987 include operating expense costs funded from program accounts as authorized by Congress.

AID OPERATING EXPENSES BY OBJECT CLASS AND MAJOR LOCATION

[In thousands of dollars]

Object class	Fiscal year—		
	1987 actual	1988 estimate	1989 estimate
11 Personnel compensation:			
AID Washington	$84,190	$89,504	$89,484
Overseas	111,960	119,049	120,964
Total	196,150	208,553	210,448
12 Personnel benefits:			
AID Washington	10,038	12,723	14,562
Overseas	17,805	19,943	21,447
Total	27,843	32,666	36,009
13 Benefits—Former personnel:			
AID Washington	56	62	56
Overseas	237	245	252
Total	293	307	308

AID OPERATING EXPENSES BY OBJECT CLASS AND MAJOR LOCATION—Continued

[In thousands of dollars]

Object class	Fiscal year— 1987 actual	1988 estimate	1989 estimate
21 Travel and transportation:			
AID Washington	3,886	3,861	3,800
Overseas	14,770	14,769	15,469
Total	18,656	18,630	19,269
22 Transportation of things:			
AID Washington	846	834	817
Overseas	9,886	9,886	10,586
Total	10,732	10,720	11,403
23 Rent, communications, and utilities:			
AID Washington	15,508	18,220	18,641
Overseas	24,774	25,518	26,283
Total	40,282	43,738	44,924
24 Printing and reproduction:			
AID Washington	1,406	1,281	1,362
Overseas	255	255	255
Total	1,661	1,536	1,617
25 Other services:			
AID Washington	30,192	27,775	30,821
Overseas	37,611	39,483	39,887
Total	67,803	67,258	70,708
26 Supplies and materials:			
AID Washington	836	726	811
Overseas	7,142	7,142	7,142
Total	7,978	7,868	7,953
31 Equipment:			
AID Washington	1,971	1,634	1,930
Overseas	12,783	11,783	13,736
Total	14,754	13,417	15,666
32 Lands and structures:			
AID Washington			
Overseas	144	4,121	
Total	144	4,121	
41 Grants, subsidies, and contributions:			
AID Washington			
Overseas	2,505	2,506	1,006
Total	2,505	2,506	1,006

AID OPERATING EXPENSES BY OBJECT CLASS AND MAJOR LOCATION—Continued

[In thousands of dollars]

Object class	Fiscal year— 1987 actual	1988 estimate	1989 estimate
42 Insurance claims and indemnities:			
AID Washington			
Overseas	149	180	189
Total	149	180	189
Summary:			
AID Washington	148,929	156,620	162,284
Overseas	240,021	254,880	257,216
Total	388,950	411,500	419,500
Less reimbursements	6,274	5,500	5,500
Total appropriated funds	382,676	406,000	414,000

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OPERATING EXPENSES OF THE OFFICE OF INSPECTOR GENERAL

Appropriation, 1988	$23,970,000
Budget request, 1989	23,119,000
House allowance	23,970,000
Committee recommendation	30,143,000

In its action on the fiscal year 1988 request for appropriations to fund the operating expenses of the Office of the Inspector General, the Committee recommended, and the Congress approved, an initiative designed to enhance the Inspector General's audit and investigative oversight of the foreign aid program. In support of this initiative, the fiscal year 1988 request of $22,687,000 was increased to $23,970,000 to fund the first year increment of a 2-year increase from a worldwide minimum staffing level of 193 FTE to a new interim minimum staffing level of 240 FTE to be achieved by September 30, 1989.

This year the Committee is recommending an appropriation of $30,143,000, a funding level which will support the second and final increment of the 2-year increase from 193 FTE to the new interim level of 240 FTE. Testimony of the Inspector General during hearings on the fiscal year 1989 budget request established to the Committee's satisfaction that first year staffing goals associated with this initiative will be met by September 30, 1988.

The rationale for strengthening the audit and investigative resources of the Inspector General of AID was set forth in some detail in last year's report of the Committee (S.Rept. 100–236, 100th Cong., 1st sess), and remains valid. Indeed, events of the past year involving incidents of waste, fraud, and abuse in the highly vulnerable foreign aid program have served only to reconfirm the Committee's conviction that the reinforcement of the Inspector General's resources must go forward.

One aspect of the Committee's initiative to enhance audit and investigative oversight of the foreign aid program requires special consideration in this report in order that the Committee's recommendation for the first time to establish finite staffing levels for overseas regional offices of the Inspector General be fully understood.

It is the considered judgment of the Committee that strong, capable Inspector General oversight of the difficult, and highly vulnerable, economic foreign aid program of the Agency for International Development is fundamental to the credibility, success, and support of the program by the Congress and the people of the United States. The Committee's continuing oversight of the Inspector General function over a prolonged period of time has confirmed it in its belief that overseas

regional offices are essential to the maintenance of Inspector General oversight of a sufficient quality and at a level which the Committee believes must be an integral element of the Agency's overseas operations.

The Committee is fully aware that historically and currently the Department of State has pressed the Agency for International Development to dismantle the overseas regional office structure of the Agency's Inspector General in favor of a centralized Washington office. It is the Committee's view that the Department's position must give way to the Committee's judgment that so long as the Agency for International Development maintains offices and field missions overseas in support of its several functions under the Foreign Assistance Act of 1961, as amended, the Inspector General of the Agency must maintain such overseas regional offices in support of those functions as presented annually to and approved by the Congress. It is the Committee's intention to review again next year the need to legislate staffing levels for the Inspector General's overseas regional offices.

Last year the Committee directed that the personnel levels at AID's overseas Inspector General offices be increased to more effective levels. The Committee is concerned with reports that at certain posts, for example Cairo, Egypt, efforts to increase the IG staff have been conditioned by Department of State insistence on proportional reductions in AID staff which has resulted in delays in implementing the Committee's directive. The Committee has, therefore, included a provision in this year's bill that establishes minimum staffing levels for overseas IG posts and directs that increases necessary to meet these levels not be taken by reducing overseas AID mission staff.

Further, the Committee is again recommending statutory language that would prohibit the expenditure of appropriated funds from this or any other appropriation for the purpose of returning any existing regional office of the Inspector General to the United States.

The following table shows the Office of the Inspector General's operating expenses by object class.

Object classification

[In thousands of dollars]

Personnel compensation:	
Full-time permanent	13,928.6
Other than full-time permanent	1,035.5
Other personnel compensation	735.5
Total personnel compensation	15,699.6
Personnel Benefits: Civilians	634.6
Travel and transportation of persons	3,375.1
Transportation of things	889.7
Standard level user charges	725.0
Communications, utilities, and other rent	2,057.6
Printing and reproduction	98.0
Other services	5,992.0
Supplies and materials	146.8
Equipment	525.1
Total obligations	30,143.1

HOUSING GUARANTY PROGRAM

(LIMITATION ON GUARANTEED LOANS)

Appropriation, 1988	($125,000,000)
Budget request, 1989	(100,000,000)
House allowance	(125,000,000)
Committee recommendation	(125,000,000)

(LOAN RESERVE)

Appropriation, 1988	$22,000,000
Budget request, 1989	22,000,000
House allowance	22,000,000
Committee recommendation	10,000,000

This program is AID's primary capital resource for implementing shelter programs and related activities. The basic components of projects funded by the Housing Guaranty Program include minimum affordable shelter, basic water and sanitation infrastructure, home improvement loans, community facilities, and related small enterprise development.

ECONOMIC SUPPORT FUND

Appropriation, 1988	$3,188,320,000
Budget request, 1989	3,268,500,000
House allowance	3,248,500,000
Committee recommendation	3,268,500,000

The Economic Support Fund [ESF] provides economic assistance to address economic structural and development problems in countries of particular security and political interest to the United States. Its purposes range from the provision of balance-of-payments support through cash transfer or commodity import mechanisms to the financing of discrete development assistance activities.

The use of ESF to address macroeconomic problems has been criticized as not being developmental in nature. The Committee does not agree. It is very often the case that program and sector assistance must be used in a country in order to achieve increases in living standards for a majority of the population. There appears to be a consensus among the donor organizations and aid-recipient countries that significant modifications of government policies, when the impacts of such modifications are cushioned by donor assistance, can yield major development benefits. It is no coincidence that increases in agricultural production in many African countries closely followed donor-supported changes in pricing and marketing policies.

Moreover, a government's inability to meet its debt obligations will have necessarily an impact on its willingness and ability to invest scarce resources in domestic economic and social programs. Similarly, the absorptive capacity of aid-recipient governments in terms of the demands placed on its limited pool of trained personnel, as well as the scarcity of financial resources, may argue for a greater use of program assistance or, perhaps, a concentration by donors on ensuring that the recurrent costs of existing projects are satisfactorily met. In short, the economic circumstances of aid-recipient countries dictate a mix of program and project assistance, each complementing the other, and which will vary depending on the circumstances of the individual country. In the Committee's view, balance-of-payments assistance can and has served significant development objectives.

While endorsing the idea that ESF balance-of-payments assistance can contribute to the achievement of important development objectives, the Committee does not absolve AID of the responsibility of ensuring that such development effects are maximized. As noted above, the Committee is aware that, in some cases, ESF cash transfer programs have been used very successfully to promote much needed economic policy reforms in recipient countries. In other cases, typically where other U.S. foreign policy or security interests are heavily involved, the

requirement of policy reform as a precondition for assistance has been seriously watered down.

The Committee believes that ESF assistance which is provided in a program mode should be used to the maximum extent possible in support of development objectives through identifiable economic policy reforms at the macroeconomic and sectoral level. In those countries where a balance-of-payments crisis has abated, but it is deemed desirable to continue ESF assistance, ESF should increasingly be used for development projects or for sectoral assistance complementing the rest of the U.S. assistance program. In particular, the Committee believes assistance targeted to support of economic sectors can sustain previously achieved improvements in balance-of-payments accounts while, at the same time, overcoming specific policy, resource, institutional or other constraints in key economic sectors. Sectoral assistance is not appropriate for all countries or under all conditions, but the Committee believes that many of the countries for which assistance has been justified on macroeconomic grounds should be shifting toward greater sectoral programming which addresses development assistance objectives.

DISPOSITION OF LOCAL CURRENCY ACCOUNTS

The Committee is particularly concerned with the AID Inspector General's testimony concerning inadequate accountability and control of local currency. Evidence from many missions indicates that large amounts of currency are accumulating, and lying idle, in countries which have desperate economic needs. The Agency is instructed to increase its efforts to arrive at prompt agreements with host governments on funding of appropriate projects with local currency. The Committee directs that each mission report to the Administrator in a timely and continuing way on the status of local currency accounts so that the Agency will have an accurate knowledge of funds available. In addition, the Committee directs that the AID Administrator report, no later than December 31, 1988, on ways in which greater accountability can be achieved over the accumulation and disbursement of local currencies.

EGYPT

The Committee once again has earmarked $815,000,000 in ESF assistance for Egypt. Of this amount, up to $115,000,000 may be provided in the form of a cash transfer with the understanding that Egypt will undertake significant economic reforms. While the Committee would have liked to have given the administration the flexibility to provide additional cash transfer assistance for Egypt in response to, and in support of, comprehensive structural economic reforms that the Egyptian Government may have adopted, our own budget constraints have precluded that possibility.

The Committee is concerned that the Agency for International Development may be misinterpreting the Committee's intentions in providing cash transfers to Egypt in previous years. The Committee has

in recent years tied the provision of cash transfer assistance to significant economic reform, which AID, for fiscal year 1988, has apparently taken to mean a comprehensive economic reform program negotiated with the International Monetary Fund. While the language of the earmark would include such a program, it was never the intent of the Committee to limit it to such a program. The Committee believes that a combination of key sectoral reforms, such as those in the agriculture sector this year, would meet the Committee's benchmark as significant reform.

The Committee notes that the Government of Egypt has requested assistance from USAID/Cairo with the extension of the communications system in the greater Cairo area. The latest digital technology is being sought from a United States manufacturer having an excellent record with past upgrading of Egypt's telecommunications. The Committee endorses the inclusion of telecommunications in the AID program for Egypt.

It is anticipated that the experience gained with this technology will help the Government of Egypt realize the benefits that can accrue from a joint venture manufacturing operation for state-of-the-art digital switching equipment. Such an operation would permit Egypt to utilize its own switches for future expansion and to begin the export of this technology to other Arab and African countries. The Committee is hopeful that the Government of Egypt will realize the value of using proven American technology in such a manufacturing and exporting operation.

JORDAN

The Committee has earmarked a total of $40,000,000 in economic support funds for Jordan. Of this total, $17,000,000 is for economic development programs in Jordan itself and $23,000,000 is for Jordan's West Bank and Gaza development program.

United States economic assistance has been helping Jordan develop its infrastructure for the last 35 years. Jordan is a relatively small country that lacks natural resources, but has been able to prosper in large part due to the solid commitment of the Government of Jordan to the education of its people and Jordan's location as a stable and hospitable business center. With 50 percent of Jordan's population under 15 years of age, the economic assistance provided this fiscal year will continue to assist Jordan in meeting its education and employment needs. In addition to traditional project-type aid, U.S. economic assistance will help the public sector transfer certain industries to the private sector. Such expansion in business activity will help meet the employment needs facing future generations. In support of these efforts, the Committee would also like to commend recent Agency for International Development efforts, in cooperation with the Government of Jordan, to attract American business investment to Jordan.

Jordan's West Bank and Gaza development fund was formally unveiled in 1986. The Committee has been highly supportive of the

development program, which is aimed principally at improving the quality of life for Palestinians living on the West Bank and Gaza Strip. The $23,000,000 earmarked for this program during fiscal 1989 represents the fulfillment of an American commitment to the program in 1986. The Committee also hopes that the strong showing of support for Jordan's program by the United States will stimulate the international donor community to participate.

ADMINISTRATION OF JUSTICE

The Committee bill earmarks $20,000,000 of ESF funds for the Administration of Justice Program and extends the program through fiscal year 1989. The Committee continues to be supportive of this program which, it believes, provides a realistic alternative to the violence and vigilante justice which is all too commonplace in the Latin American region.

CASH TRANSFER ACCOUNTS

The Committee bill retains language in current law regarding the requirement to maintain ESF assistance which is provided in the form of a cash transfer in a separate account. The Committee continues to be interested in how ESF recipients of cash transfer assistance use these funds, and to ensure itself and the American taxpayer that such funds are being used properly. Therefore, the Committee has incorporated a notification requirement, distinct from the reprogramming notification requirement, for all proposed cash transfer assistance programs which are subject to the separate account requirement.

TIED AID CREDITS

The Committee is concerned that the Agency for International Development not misinterpret the $5,000,000 restriction on tied aid credits. The Committee has amended the restriction to make it clear that it is intended to apply only to funds provided directly under the Tied Aid Credit Program established as section 645 of the Trade and Development Enhancement Act of 1983 (Public Law 99–83), a program intended to combat predatory financing of other nations competing with U.S. exports. Inasmuch as the Tied Aid Credit Program draws only on ESF resources and specific countries with commodity import programs, its applicability to individual aid-receiving countries is variable. In countries having other means of combating predatory financing, such as the Trade Financing Facility, established in Egypt in 1981, the restrictions do not apply and the ESF CIP Program will continue to operated as intended.

The Committee has again placed a $5,000,000 ceiling on the use of ESF funds for tied aid credits. It is not the Committee's intention to discourage the administration from using ESF for this purpose. In fact, the Committee makes provision for the President to waive this ceiling. By including this provision, the Committee intends to give the President flexibility to allocate funds for tied aid or other economic as-

sistance purposes on the basis of his determination of the national interest of the United States, rather than establishing an artificial earmark for tied credits. The Committee encourages AID to use ESF wherever appropriate for tied aid credit purposes.

POLAND

The Committee has been made aware that there exists a desperate shortage of medical supplies and equipment in Poland. As a result, the Committee is recommending an earmark of $2,000,000 of ESF for the provision of medical supplies and equipment for Poland, which can include purchase, transportation, and distribution costs. In order to ensure that these needed supplies reach the people for whom they are intended, the Committee recommendation includes a requirement that assistance be provided only through private and voluntary organizations.

ASSISTANCE FOR SOLIDARITY

The Committee bill earmarks $1,000,000 for assistance to the Polish Free Trade Union Solidarity. The same amount was provided as part of the fiscal year 1988 Appropriations Act. It is the Committee's intention that the amount provided in this bill be used in the same manner as provided in fiscal year 1988.

KENYA

The Committee recognizes the importance of the long-standing relationship between the United States and Kenya, as well as the importance of Kenya to the economic and political stability of East Africa. Kenya has long stood as a model of economic growth and development as evidenced by its large private sector and successful free market economy.

The Committee also recognizes that Kenya is committed to human rights and democratic freedoms and is pleased to see that positive steps were taken recently to address specific human rights violations by certain officials over the past year. President Daniel arap Moi released nine political detainees and removed the Internal Security Chief and the Commissioner of Police because of the illegal actions against prisoners and innocent citizens. President Moi has stated clearly Kenya's unwavering commitment to the rule of law and proper administration of justice under its strong constitution.

The Committee believes that, in the past, Kenya has been unfairly singled out on the issue of human rights in comparison to other African countries. While the Committee believes that there is more which could be done in Kenya on this issue, the Committee also recognizes that Kenya has undertaken important steps, and urges Kenya to continue with its progress in the human rights area.

Since 1980, while maintaining its independence and leading role among African states, Kenya has provided vital repair and resupply facilities to the United States Navy and has allowed the United States military access to its airfields. The importance of this relationship is

magnified given the nature of the United States naval presence in the Persian Gulf and reports of further political and economic instability among the states in the region, including increased influence and military activity by Libya.

The Committee recognizes that there has been a sharp decline in fiscal year 1988 in the level of military assistance provided in Kenya. In fiscal year 1988 the executive branch requested $19,000,000 in MAP for Kenya, but provided only $5,000,000 in the final allocations. This level is simply not commensurate with the help Kenya provides or the challenges it faces as a solid United States friend in Africa. In light of this, and the growing importance of Kenya's support for United States strategic interests in the region, the Committee has earmarked $20,000,000 in foreign military credit sales funds for Kenya for fiscal year 1989.

The Committee wishes to note that despite its high levels of debt—debt service has been running at about 32 percent of total export earnings—Kenya nonetheless has never defaulted on its payments to the United States. In light of Kenya's debt problems, however, the Committee urges AID to support Kenya's effort at reform. Kenya is one of the 17 countries deemed eligible for the special program of assistance for sub-Saharan Africa of the International Bank for Reconstruction and Development, the facility which provides assistance to the debt-distressed countries in Africa, and is engaging in major structural reforms such as privatization, eliminating government subsidies and import barriers, and reforming its economy along free enterprise lines. The Committee supports the efforts of Kenya and of the special program, and urges AID to continue to support Kenya in restructuring its economy.

SAN SALVADOR ELECTRIC LIGHT CO.

The Committee wishes to see new investment attracted to El Salvador and believes that the flight of capital must be stemmed in order to promote economic development in that country. These objectives are impeded by the uncertainty surrounding the seizure without compensation of the assets and property of the United States-owned San Salvador Electric Light Co., [CAESS]. The Committee is informed that the Supreme Court of Justice of El Salvador has recently ruled the Government's action in seizing CAESS is unconstitutional. The Committee is hopeful that the Government of El Salvador will now move promptly to reach a fair and equitable settlement for all concerned.

SUB-SAHARAN AFRICA

The Committee recommends an earmarking of $81,500,000 for Economic Support Fund [ESF] assistance for sub-Saharan Africa. This is equal to the amount requested by the administration for sub-Saharan Africa ESF. These funds are appropriated consistent with the policy directives of the Economic Support Fund, as set forth in section 531 of the Foreign Assistance Act of 1961, and are in keeping with the terms

and conditions under which assistance was provided to sub-Saharan countries last year.

In creating the Economic Support Fund the Congress recognized that under special economic, political, or security conditions, the national interests of the United States may require economic support for countries supplemental to, or in lieu of, basic development assistance. In the case of sub-Saharan Africa, severe poverty brought on by drought, famine, and a sharp drop in export earnings, has forced many countries to the brink of economic catastrophe. If left unaddressed, the Committee believes that these conditions could lead to political destabilization, and pose serious consequences for United States security interests throughout the region.

The Committee intends that its allocation of $81,500,000 in ESF funds will serve a dual purpose. First, in support of U.S. security interests, this assistance may be used to provide traditional balance of payments and budget support to sub-Saharan economies burdened by debt and poor overall performance. Second, a portion of these funds may be applied to development projects which have a demonstrable impact on the macroeconomic profile of sub- Saharan countries. The Committee wishes to underscore that these two objectives are not mutually exclusive, and that United States objectives in the region can only be served by an appropriate mix of programs.

SOMALIA

The Committee is deeply concerned about abuses of basic human rights in Somalia. In February, following strong pressure from the international community, President Barre commuted death sentences imposed on eight Somali citizens, including two individuals trained in the United States.

While the Committee is pleased that the death sentences were commuted, it is concerned that two individuals remain under house arrest and the other six were sentenced to 24-year prison terms. In addition, five other defendants in the original trial have been sentenced to long prison terms. Many other political prisoners also continue to be detained in Somalia. For example, 14 individuals arrested in the northern city of Hargeisa in 1982 have not seen their families, lawyers, or others since March 1982. We believe all of these individuals are being subjected to unjust punishments for the nonviolent expression of their political beliefs, and we urge the Somali Government to grant full and unconditional releases to them.

Concern has also been expressed about the deplorable conditions under which prisoners in Somalia are held. Beatings and the use of torture are reportedly widespread. Thus, we urge the Somali Government to improve the conditions under which prisoners are held and to avoid long periods of pretrial detention. In view of these concerns, the Committee has included bill language requiring prior notification of all funds intended for Somalia.

SOUTH PACIFIC PROGRAMS

The Committee is recommending an earmark of $10,000,000 for programs to implement the South Pacific Tuna Act of 1988. This is the same amount as requested by the adminstration. In April 1987, a regional fisheries treaty among the United States Government and 16 South Pacific governments. The treaty has recently been ratified by the Senate and implementing legislation enacted into law. The South Pacific Tuna Act authorizes the appropriation of funds to carry out the purposes of the treaty and, incident to that, the administration had requested $10,000,000 for assistance for the South Pacific region. It is the Committee's understanding that the assistance being provided will be used to provide both project (approximately $1,000,000) and nonproject (approximately $9,000,000) assistance to the Pacific island states.

Mindful of the economic importance of the International Tuna Fishery, the nomadic nature of this resource in coastal and international waters, and the importance of insuring the abundance of tuna populations for future generations, Congress urges the Department of State at the appropriate time to work cooperatively with other nations and international organizations concerned with the fisheries for tuna, to enhance scientific studies of the tuna populations in the western Pacific Ocean and to address the long-term conservation needs of this resource.

IRELAND

The Committee wishes to commend the work of the International Fund for Ireland for its work to promote economic development and social reconciliation in Ireland. In particular, the Committee is impressed with the degree of nonpartisanship shown in the administration of the Fund, as well as the willingness of the Fund to support private investment, public programs, and self-help efforts designed to contribute to viable and self-sustained growth. The Fund's sponsorship of urban development programs and other employment-generating opportunities is assisting in the rehabilitation of the economic and social fabric of Ireland.

The Committee is pleased to report that the United States has fulfilled its commitment to the fund with a total contribution of $120,000,000. This amount compares to a contribution of $1,500,000 from Canada and a contribution of $300,000 from New Zealand. Neither Britain nor Ireland make contributions directly to the fund, although (at a cost of less than $500,000 per annum) each seconds national civil servants to the fund's secretariat. This rather one dimensional picture of what was intended to be an international fund is improved by recent announcements that the European economic community has pledged a contribution of $18,000,000 to the fund and plans to make a similar contribution for each of the next 2 years. The Committee is hopeful that this pledge will become an actual contribution in the near future.

Of the $120,000,000 contributed by the United States, about $48,000,000 has been obligated, with actual expenditure amounting to about $26,000,000. The fund has improved its obligation rate and now anticipates that expenditures will proceed at about $3,600,000 each month. The large unobligated balance in the U.S. contribution to the fund will finance the present rate of obligation for the next 1½ years. If the anticipated contributions from the European community come forward, the fund will have sufficient financing to allow it to continue its present rate of obligations for the next 3 years. Alternatively, the fund may be able to accelerate its rate of obligation.

These considerations have caused the Committee to limit additional contributions to the fund. In not recommending appropriations at a higher level for the International Fund for Ireland, the Committee notes that it has had to make extremely difficult choices among many worthy programs within the ESF account. Given these competing demands on scarce ESF resources, the fact that the United States has met its pledged contribution to the fund, the support anticipated from other donors, and the large unexpended balance in the fund, the need for a larger U.S. contribution at this time must be questioned. Accordingly, the Committee has decided to limit additional funding in the bill to a $10,000,000 contribution.

The Committee notes that the Anglo-Irish Agreement Support Act of 1986, which authorized the United States contribution to the International Fund for Ireland, set forth various criteria according to which United States aid for the international fund should be spent. Those criteria included job creation, encouragement of new investment, promotion of long-term economic growth and development, economic and social reconstruction and development, and reconciliation. Section 10A of the Anglo-Irish Accord requires that the United Kingdom and the Republic of Ireland cooperate to promote the economic and social development of those areas of both parts of Ireland which have suffered most severely from the consequences of the instability of recent years.

The Committee believes that what will contribute most effectively to reconciliation and social development is the creation of permanent, long-term jobs in the areas that have suffered most severely from the consequences of the instability of recent years.

Therefore, the Committee believes that an emphasis on the creation of permanent, full-time jobs in the areas that have suffered the most from the instability of recent years is the best way to promote all the goals set forth in the Anglo-Irish Support Agreement of 1986, and is the best use of United States aid to the International Fund for Ireland.

The Committee requests that the board of the International Fund for Ireland report to it, no later than January 1, 1989, on how many full-time and seasonal jobs have been created in each of the fund's program sectors.

LIBERIA

The Committee has amended section 551, which mandated that before funds appropriated by this act under the headings "Military Assistance" or "Economic Support Fund" could be made available to Liberia, the Administrator of the Agency for International Development and the Secretary of State were required to certify that Liberia had met certain conditions, by deleting mention of the Administrator of AID and vesting all responsibility for such certification in the Secretary of State.

The Committee is concerned about the growing situation of undisputed unpaid debts to U.S. citizens and companies by the Liberian Government. The Agency for International Development estimates that more than $200,000,000 in debt is owed to the U.S. private sector. Much of this debt is owed to citizens and companies who provided substantial assistance to the Government of Liberia in the form of educational materials, such as textbooks and health supplies and equipment over the past several years. The Committee encourages the AID team of operational experts currently working in Monrovia to carefully assist and review with the Government of Liberia the various creditor claims and resolve these issues in a timely manner.

The Committee wishes to ensure that this matter is adequately addressed by and with the full cooperation of the Government of Liberia by further amending section 551 to require that significant progress be made toward satisfying Liberia's undisputed debts to U.S. citizens.

CHILE

The Committee has earmarked $100,000 of ESF funds for activities related to the Chilean presidential elections, including support for international observers. The assistance is made available notwithstanding provisions of law which would otherwise prohibit assistance to Chile.

SOUTH ASIA/NUCLEAR NONPROLIFERATION

Last year, this Committee recommended legislation which sought to approach the nuclear buildup in South Asia on a regional basis, affecting both India and Pakistan, rather than using the historic method of pointing only to Pakistan. While the Committee's provision was not enacted into law, it did create constructive debate in Congress on this regional problem.

The Committee notes this year, with concern, the continuing military buildup in India, and that country's apparent refusal to take any constructive steps to advance the cause of nuclear nonproliferation in South Asia.

India has decided to introduce nuclear submarines into its navy, and recently tested a surface-to-surface missile with nuclear capabilities and a range of 250 kilometers.

At a time when the World Bank, the United States, and other

financial institutions and countries are spending considerable amounts of aid on India's development needs, it is difficult for the Committee to understand why India is investing so much in the continuing buildup of the predominant military establishment in the region.

That country's refusal to address the issue of nuclear nonproliferation, as demonstrated in its near-hysterical reaction to the Committee's proposal last year, continues to be of concern to the Committee. India has proposed a framework for negotiations on nonproliferation, the fundamental result of which is to delay progress rather than to move dialog forward. Just as the United States and the Soviet Union recognize that the Intermediate Range Nuclear Forces Treaty could not await other desired progress in the arms control area, India must accept that progress on nuclear nonproliferation in South Asia cannot be set aside pending negotiations whose participants and whose purposes remain cloudy at best. The Committee urges the Government of India to look positively on regional proposals of nuclear nonproliferation and to actively undertake negotiations on this issue in the near future.

The Committee remains concerned about developments in Pakistan in connection with its nuclear program, democracy, and narcotics control efforts. With regard to the nuclear program, Pakistan has promised the United States it will not enrich uranium to weapons grade and will not violate United States export control laws. The Committee remains concerned that Pakistan honor these commitments.

The Committee has looked favorbly at Pakistan's efforts to effect a transition to democracy. The Committee fully expects the Government of Pakistan to complete this transition by holding fair and free elections according to its constitution.

Finally, the Committee is concerned that the flow of narcotics from Pakistan continues. In an era of declining budgetary reserves, a viable United States-Pakistan assistance relationship can be sustained only if there is a shared commitment to democracy, and if vital commitments on nuclear and narcotics issues are honored.

CENTRAL AMERICAN ENERGY AND MINERAL RESOURCES PROJECTS

As part of its effort to discourage dependence on balance of payments support, the Committee restores an earmark that was first included in Public Law 98–473. Of the $440,000,000 earmarked for Central American countries in this bill, $5,000,000 shall be used to fund the ongoing energy and mineral resources project within its multiyear authorized ESF level of $21,200,000.

Already this ROCAP project will pay for itself several times over. The project is rehabilitating the Ahuachapan geothermal field in El Salvador, completing a pilot geothermal food processing plant in Guatemala, and has confirmed a major geothermal resource in Honduras. In cooperation with the East-West Center, it has identified to investors at least $50,000,000 in viable mineral resource opportunities in Costa Rica.

The Committee concurs with AID that the next logical phase of this cooperative effort with Central American scientists and engineers is to

pursue the development of the resources already identified in each country.

The Committee recommends that AID use these funds to accelerate the transition from a regional technical assistance project to country specific development projects. Where possible, these projects should be undertaken in cooperation with private sector investors and other foreign aid donors.

AFRICAN DEVELOPMENT FOUNDATION

Appropriation, 1988	$7,000,000
Budget request, 1989	7,140,000
House allowance	7,140,000
Committee recommendation	8,500,000

The Committee's recommendation for the African Development Foundation [ADF] slightly exceeds the amount requested by the administration and is in recognition of the fine work that organization has done to promote small-scale enterprise and self-help activities at the grassroots level in Africa. The Committee encourages the ADF to continue to explore ways in which its activities can most effectively complement those of other donors, and notes that the objectives of the ADF are, in part, similar to those supported by this Committee and contained in the bill for the separate appropriation for sub-Saharan Africa.

The Committee has been monitoring the progress of negotiations between the African Development Foundation and the African Development Bank [ADB] to jointly finance a facility to provide training and credit assistance to informal sector businesses and family enterprises in Africa. It is the Committee's understanding that little progress has been made to initiate the establishment of such a facility. The Committee strongly recommends that the ADF and the ADB continue their collaboration to esnure the timely implementation of the facility. In support of this initiative, the Committee recommends that the United States Executive Director to the African Development Bank continue to support and offer his good offices assistance to the ADF as well as to encourage other external donor support for the ADF/ADB training and credit facility. The Committee requests that ADF and the U.S. Executive Director to the ADB report to the Committee on a regular basis on the progress of the ADF/ADB negotiations on the facility. The Committee bill includes a provision which clarifies that under existing law the ADF can make loans, grants, and loan guarantees to public international organizations—which may include, for example, the ADB—in furtherance of the objectives of the Foundation.

The Committee has included language, also included in the House bill, to allow for interest retention on outstanding grants. Finally, the Committee concurs with the House Committee that notification on small projects—less than $25,000—is to occur on a quarterly basis in fiscal year 1989.

RENEWABLE ENERGY

The Committee finds that renewable energy technologies, which include solar, wind, biofuels, and ocean thermal energy technologies, have the potential to greatly assist African countries to meet their basic energy needs and fuel social and economic development at the rural village level. The Committee also finds that programs which utilize such renewable energy sources are best undertaken and have a greater chance of sustainability when indigenous groups and individuals are designing and managing such projects. In accordance with recommendations made by the Office of Technology Assessment, the Committee recommends that the African Development Foundation enhance its efforts to fund local indigenous efforts to utilize renewable energy technologies to increase rural productivity. In addition, the Committee recommends that the Foundation explore the value of holding a conference in Africa that will bring together African individuals from rural villages, African government officials, internationally recognized and American renewable energy specialists to document and explore Africa's potential to use renewable energy sources to facilitate rural development.

INTER-AMERICAN FOUNDATION

Appropriation, 1988	$13,000,000
Budget request, 1989	13,900,000
House allowance	16,600,000
Committee recommendation	16,600,000

The Committee recommendation for the Inter-American Foundation [IAF] exceeds the level proposed by the administration. The IAF has enjoyed a longstanding and well-deserved reputation of excellence for its role in projects designed to reach the poorest members of society. In many instances, the IAF has been the only U.S. Government agency working to support the activities of private organizations and groups in Latin America in community development activities. By working with groups that do not often have access to foreign assistance, the IAF has placed itself in the position of being an innovator in self-help efforts to stimulate wider participation in the development process.

The Committee also notes that the IAF is unique in the bipartisan support it enjoys from the Congress. To its great credit it has taken an apolitical approach in determining the activities for which it would provide support, choosing instead to make its decisions on its evaluation of the needs of the poor of Latin America and the Caribbean. The Committee expects the IAF to guard against taking any actions which could introduce an element of partisanship into the administration of its program. To do so would only serve to work to the detriment of the people the IAF is chartered to assist, and would jeopardize the existing close and fruitful relationship between the Congress and the IAF. The Committee will continue to closely observe the activities of the IAF to ensure that this nonpartisan approach continues.

SOCIAL PROGRESS TRUST FUND

The Committee is aware that the IAF's primary source of program funds, the Social Progress Trust Fund administered by the Inter-American Development Bank, is being rapidly depleted. According to the Inter-American Development Bank, beginning in 1989 there will be less than $11,000,000 per year available for use by both the Foundation and the Bank.

In last year's report the Committee expressed support for the resolution adopted by the IAF board endorsing a position to seek for its use the full amounts remaining in the trust fund during the 1989–92 period. It is the position of the Committee that the Secretary of the Treasury instruct the U.S. Executive Director of the Inter-American Development Bank to take all steps that are possible to ensure the full transfer of resources to the fund.

OVERSEAS PRIVATE INVESTMENT CORPORATION

LIMITATION ON DIRECT LOANS

Appropriation, 1988	($23,00,000)
Budget request, 1989	(17,250,000)
House allowance	(23,000,000)
Committee recommendation	(23,000,000)

LIMITATION ON GUARANTEED LOANS

Appropriation, 1988	($200,000,000)
Budget request, 1989	(175,000,000)
House allowance	(200,000,000)
Committee recommendation	(200,000,000)

The Committee believes that OPIC's programs are highly productive in encouraging the participation of U.S. business in the economic growth of developing world economies. For this reason, the Committee's recommendations for OPIC exceed those proposed by the administration. The introduction to Title IV of this report addresses in more detail the operations of OPIC.

PEACE CORPS

Appropriation, 1988	$146,200,000
Budget request, 1989	150,000,000
House allowance	152,000,000
Committee recommendation	157,000,000

The Committee strongly supports the Peace Corps. There is little doubt that the Peace Corps has become one of the most visible and successful mechanisms for promoting international peace and friendship while, at the same time, providing the people of the developing world with valuable technical assistance and expertise, particularly at the grassroots level, to enable them to improve the quality of their lives.

The Committee's recommended level for the Peace Corps reflects the American public's respect for its achievements. The level, although in excess of the administration's request, is the amount required to ensure an orderly achievement of the goal of placing 10,000 Peace Corps volunteers in the field by the year 1992. As noted in the Committee's report last year, this goal has been adopted by the Congress and initial steps in the transition to an enlarged Peace Corps were funded in fiscal year 1987. In recommending increased funding for the Peace Corps, the Committee is mindful that, despite significant increases in population in developing countries, the number of Peace Corps volunteers has dropped from about 15,000 in 1966 to about 5,000 today. This unfortunate trend can be reversed; the Peace Corps receives more than 2,400 requests for assistance than it can fulfill, and 500 more volunteer applicants than its budget can finance. We recommend that the Congress provide the resources necessary to close this gap.

INTERNATIONAL NARCOTICS CONTROL

Appropriation, 1988	$98,750,000
Budget request, 1989	101,000,000
House allowance	101,000,000
Committee recommendation	101,000,000

The Committee has been fully supportive of increased efforts to elimninate the cultivation, production, and trafficking of illicit narcotics. The societal and economic effects that the use of illicit narcotics is having in the United States are painfully clear. It is all too clear, as well, that developing countries are suffering from significant economic and social dislocations brought about by the cultivation and production of illicit narcotics. U.S. development assistance interests are often closely linked with the ability and willingness of the aid-recipient country to take the initiative to eliminate the production, cultivation and trafficking of illicit narcotics. In part, through U.S. Government programs, many governments have now been educated to the destructiveness of the narcotics industry and are taking eradication and interdiction steps in conjunction with the United States. In many instances these steps entail significant risk and the expenditure of scarce resources. Lives are being lost as countries attempt to free themselves from the scourge of narcotics. Resources that should be devoted to economic development activities are instead being diverted to press the fight against illicit narcotics production and trafficking. In point of fact, many aid recipient countries, possessing a fraction of the resources available to the United States, are making great strides to eliminate production and trafficking of narcotics and should be commended for those efforts.

The Committee recommends certain incentives to countries which are willing to act against narcotics producers and traffickers, and modifies current authorities to enhance the coordination of international narcotics control efforts and foster expanded narcotics eradication programs. In summary form, the initiative includes the following elements:

—An appropriation of $101,000,000 for the Department of State's International Narcotics Control Program. The Committee expects that the bureau will make increasingly greater efforts to enhance its eradication and interdiction programs, including emphasis on an effective aerial herbicide program to control cocoa production.

—Provision of economic support funds and military assistance as incentives for countries that are trying to eliminate illicit narcotics. The bill provides a total of $61,000,000 for Bolivia, Ecuador, Jamaica, and Peru (with an individual country limitation of

$25,000,000), subject to the narcotics certification requirements contained in the Foreign Assistance Act. Similarly, $16,500,000 of military assistance is targeted for Bolivia, Ecuador, Jamaica, and Colombia (with a $5,000,000 per country limitation), also subject to the certification requirements of the Foreign Assistance Act.

—Provides $3,500,000 of military assistance to be used for the procurement of defensive equipment for use in eradication and interdiction programs.

—Directs the Secretary of State, in light of the importance of encouraging an international effort against narcotics production and trafficking, to urge the United Nations Fund for Drug Abuse Control to develop a comprehensive program for enlisting greater multilateral support for coca control programs and related development activities in South America.

—Requires that major narcotics producing or transit countries enter into bilateral agreements with the United States—or multilateral agreements which achieve international narcotics control objectives—to define applicable activities to reduce narcotics production and trafficking. A requirement for a bilateral agreement was included as part of this Committee's recommendations for fiscal year 1988, and was contained in the enacted Foreign Assistance Appropriations Act. In this regard, the Committee directs that, before making a determination under section 481(h) of the Foreign Assistance Act, that the government of a country for which funds are earmarked under this initiative has cooperated fully with the United States, the President is to determine whether or not such government has fully achieved the eradication targets contained in the applicable bilateral agreement with the United States.

The Committee, as it did in last year's Committee report, expresses its strong reservations with the way in which the existing narcotics certification requirements are being implemented by the administration. The Committee understands the reluctance of the Department of State to base a decision on whether or not to provide assistance exclusively on narcotics control criteria. However, current law is very definite on this issue. The Committee expects the Department to more realistically assess the performance of major drug producing and transit countries. Absent such an assessment, the Department stands to lose all credibility with the Congress on narcotics control issues, and can expect even more stringent legislation in the future to ensure that congressional concerns are appropriately taken into account.

Finally, the Committee has included language in the bill which encourages the Department of State to (1) further intensify its efforts in the areas of international narcotics eradication and interdiction, and (2) seek increased international cooperation in narcotics enforcement matters.

The administration has proposed the following allocation of international narcotics control assistance for fiscal year 1989:

INTERNATIONAL NARCOTICS CONTROL PROGRAM—FISCAL SUMMARY

[In thousands of dollars]

	Fiscal year—		
	1987 Actual	1988 Request[1]	1989 Request
Country program:			
Latin America:			
Bolivia	12,540	[1]15,000	10,000
Brazil	3,325	1,400	1,600
Colombia	11,553	11,000	10,000
Ecuador	1,178	1,000	1,600
Jamaica	3,330	2,000	1,000
Mexico	14,500	14,500	15,000
Peru	8,430	5,500	10,000
Venezuela	.....	.....	1,000
Latin America regional	10,111	7,000	6,000
Subtotal	64,967	57,400	56,200
East Asia:			
Burma	9,417	7,000	7,000
Thailand	4,738	4,000	3,900
Subtotal	14,155	11,000	10,900
Southwest Asia:			
Pakistan	6,900	4,800	5,300
Turkey	745	700	750
Asia/Africa regional	624	450	450
Subtotal	8,269	5,950	6,500
Interregional aviation support	17,834	14,500	18,000
Total country programs	105,225	88,850	91,600
International organizations	4,000	1,100	1,100
Training/demand reduction	7,020	5,500	5,000
Program development and support	2,194	3,300	3,300
Total INM Program	[2]118,439	98,750	101,000

[1]The $15,000,000 program budget for Bolivia was mandated by Congress in its fiscal year 1988 Continuing Resolution.

[2]Includes $53,000,000 from the Anti-Drug Abuse Act of 1986 (Public Law 99-570).

MIGRATION AND REFUGEE ASSISTANCE

Appropriation, 1988	$338,450,000
Budget request, 1989	340,000,000
House allowance	361,950,000
Committee recommendation	361,950,000

The administration has requested the appropriation of $340,000,000 for this program in fiscal year 1989. The administration proposes that this request be distributed as follows:

Migration and refugee assistance fiscal year 1989 budget request

Refugee admissions to the United States:	
Refugee processing abroad	$30,240,000
Transportation	33,700,000
Reception and placement grants	35,960,000
Training and orientation	15,500,000
Subtotal	115,400,000
Indochinese Refugee Program:	
UNHCR program in Southeast Asia (includes ODP)	15,000,000
Antipiracy/Rescue at Sea Program	1,000,000
Khmer relief	12,300,000
Subtotal	28,300,000
African Refugee Program:	
Contributions to international organizations	62,500,000
Special projects	1,500,000
Subtotal	64,000,000
Near East Program:	
Relief for Afghan refugees	22,000,000
United Nations Relief and Works Agency	67,000,000
Subtotal	89,000,000
Latin American Program	15,800,000
Refugees to Israel	10,000,000
International organizations:	
Intergovernmental Committee for Migration	6,000,000
International Committee of the Red Cross	3,500,000
Subtotal	9,500,000
Administrative expenses	8,000,000
Total	340,000,000

NOTE.—The above table details the Department of State's budget request for the Office of Refugee Programs only. Activities carried out by the Office of the U.S. Coordinator for Refugee Affairs are funded by the Office of the Secretary of State.

The Committee recommends the appropriation of $361,950,000 for this account, $21,950,000 above the budget request.

The following table details the Department of State's administrative request for the Office of Refugee Programs:

Refugee related operating expenses fiscal year 1989 budget request

Object class:	
Salaries	$4,822,000
Benefits	927,000
Travel of persons	469,000
Transportation of things	39,000
Communications, utilities, and other rents	664,000
Printing and reproduction	25,000
Other services	854,000
Supplies and material	110,000
Equipment	90,000
Total	8,000,000

Administrative expenses.—The Committee is providing $8,000,000 for administrative expenses.

REFUGEE ASSISTANCE PROGRAMS

Since the enactment of the Refugee Act of 1980, the Committee has maintained a strong commitment to the U.S. Refugee Admissions and Assistance Program, and once again this year will recommend appropriations at a level sufficient to further U.S. foreign policy and humanitarian objectives.

Admissions.—The Committee recommends the appropriation of $140,000,000 for fiscal year 1989, based upon a worldwide refugee ceiling of 68,500 and the additional costs for Amerasian processing. The Committee again this year recommends an earmarking for the admissions program to guard against possible reprogramming requests owing to the administration's modest budget proposal for refugee assistance. The Committee further recommends that not less than $46,000,000 of admissions funds be used for refugee processing from first asylum camps in East Asia. In light of the very vulnerable first asylum situation in Southeast Asia, the Committee feels that this earmark is necessary to maintain our commitment to the ASEAN countries and Hong Kong, and to prevent against a recurrence of last year's attempt to transfer resettlement numbers from Southeast Asia to other regions of the world. The Committee directs the Bureau for Refugee Programs to begin in fiscal year 1989 the processing of long-stayers in Southeast Asia refugee camps, particularly in Thailand, Hong Kong, and Malaysia. While the Committee acknowledge that the long-stayer resettlement effort must draw upon the support of the international community, the failure to implement the recommendations of the 1985 Ray Commission has damaged the credibility of the United States and exacerbated the tensions existing in first asylum countries over this question.

The Committee believes that the refugee carryover—the number of refugees approved but not admitted in the same fiscal year—is a vital benchmark for the Committee in assessing the necessary appropriations for admissions. The Committee directs the Bureau for Refugee Programs to enter fiscal year 1990 with a carryover from 1989 of at least 40 percent of the approved worldwide ceiling. This 40 percent does not include individuals approved as refugees under the new Amerasian Act. The Bureau is directed to give the Committee at least 90 days notice if it expects the 1990 carryover to be less than 35 percent of the ceiling. Further, in managing the Southeast Asia refugee ceiling allocation—first asylum and ODP—the Committee directs the same 40 and 35 percent carryover requirements as mentioned above.

The Committee is distressed over the significant backlog of admissions of refugees from Poland, currently in Rome. The Committee is seriously concerned that these refugees will be shunted aside in the admissions process in favor of other refugees from the Soviet Union and other Eastern European countries. The Committee strongly recommends that the Department of State ensure the timely admission of these refugees now in Rome by establishing a policy of proportional admissions between these refugees, on the one hand, and Soviet and other Eastern European refugees on the other.

Amerasians.—The Committee recommends, from the funds earmarked for admissions, an earmark of $15,000,000 for the implementation of the Amerasian Program instituted by Congress in 1987. The Committee expects that this earmark likely will prove to be insufficient and has provided additional funds in the overall admissions appropriation for such needs. The Committee recognizes that the Amerasian Program could involve as many as 30,000 persons, and, therefore, directs the Bureau to provide separate estimates for admissions for this program in next year's budget.

First Asylum in Thailand.—The Committee renews its support of first asylum programs in Thailand and commends the Royal Thai Government [RTG] for persevering in its humanitarian commitment to providing asylum to Laotian, Vietnamese, and Cambodian refugees. While the Committee disapproves of pushbacks of asylum seekers by any countries in the region, it understands that such instances have been isolated with respect ot the RTG, and represent a frustration on the part of the RTG with respect to a perceived lessening of commitment by the resettlement countries, including the United States.

The Committee recommends a continuation of the border education program inaugurated last year, and directs the Bureau for Refugee Programs to provide a detailed report by December 30, 1988 on how this education program is operating. The Committee suggests that the Bureau consider making available some of these funds to the voluntary agencies and Khmer organizations which have been conducting education programs at the border for years and have proven to be successful in such endeavors.

The marked increase in the number of acts of violence among camp residents at site II, and the evident vulnerability of the new Vietnamese camp there, require a vigilant protection monitoring program by the international community. Many of the refugees in these camps are reaching the end of their endurance after 9 years of living along the Thai-Cambodian border. Unfortunately, the United States effort to work with the UNHCR, UNBRO, and ICRC in the collaborative effort to provide assistance and protection to these refugees at times has been negligent, both in Washington and in the Bangkok Embassy. The United States response during the so-called Trat pushbacks during the period of January 27 to February 9, 1988, exposed the shortcomings in the United States protection program, a program in which this Committee has taken a great interest the last several years.

The Committee, therefore, earmarks $1,500,000 for a Thai-Cambodian border protection program, and directs the Department to report to the Committee by December 31, 1988, with its plan for how these funds will be expended. This plan should include a program to: train and supply the Khmer civilian administration in the operation of its criminal justice system; assist the Thai in the prosecuting of individuals entering the camps and committing crimes; facilitate the efforts of UNBRO, UNHCR, and ICRC in their work with the officers of the new Thai displaced persons protection unit [DPPU]; and allocate additional United States personnel who are fluent in Thai to monitor this program. It is not the intention of Congress that the Bureau simply transfer these funds in lump sum to the international organizations who possess the protection mandate at the border, but to develop a new program that allows a more comprehensive embassy approach to the protection situation at the Khmer camps. This program can be patterned after the antipiracy program where the United States contributes to international organizations and also engages in a bilateral program with the RTG.

Further, the Committee requests detailed quarterly reports on the protection situation at all Thai border camps, including the Hmong and Lowland Lao camps and holding centers. These reports should be available to the Committee within 15 days after the completion of each quarter of fiscal year 1989.

Antipiracy.—The Committee recommends the continuation of the successful Antipiracy Program and earmarks a minimum of $1,500,000 for that purpose. The Committee notes the persistence of pirate attacks despite this Antipiracy Program—during the period of January through March, rapes, robbings, kidnappings, and drownings were rampant and efforts to prosecute the individuals responsible for these crimes so far have proven unsuccessful. The Committee expresses its grave concern over reports that U.S. funds were used by local authorities to deny asylum to refugees, and expressly forbids such expenditures, directly or indirectly, for these purposes.

Ethnic Affairs Officer Program.—The Committee is persuaded, based upon information and reports from refugee experts, that the ethnic af-

fairs officer [EAO] system in Southeast Asia is unnecessary, costly, and counterproductive to United States objectives with respect to its refugee resettlement processing effort. The EAO system, established 4 years ago to provide expertise on the bona fides of refugee claimants in Southeast Asia, has been to a number of dubious determinations, processing delays, and de facto denials for those cases deemed by EAO's to be not qualified [NQ'd]. At Khao I Dang refugee camp, EAO's with little background in Khmer culture, politics, geography, or history, effectively hampered the fair processing of this camp and precipitated a State-INS dispute which has yet to be settled. The Committee directs that no funds be made available to pay the salaries of EAO's, and that the Department report to the Committee by December 31, 1988, on how it plans to deal with the thousands of cases which have been denied or NQ'd on the basis of faulty EAO determinations. While the Committee acknowledges that INS must be given the benefit of counsel on the intricacies of some cases, it is convinced that this can be handled in a manner in which similar cases are handled worldwide, without the layer of processing bureaucracy which the EAO system now embodies.

URGENT MEDICAL CARE IN THE UNITED STATES FOR SERIOUSLY ILL NONRESIDENT REFUGEES

Each year dozens of refugees come to the United States for the treatment of urgent medical conditions and then leave to settle in third countries. They come to the United States for specialized care available in only a select number of institutions. The Committee believes such demonstrations of goodwill fulfill a basic objective of U.S. foreign policy and it applauds the manner in which our Government has supported this most basic human need. Yet, the Committee finds that there is a need for both a national policy, and a national program, which provides for the reimbursement of U.S. medical institutions and physicians which have proffered medical care for seriously ill, nonresident refugees. Since these refugees are ineligible for medicaid, and without alternative means of support, the hospitals and physicians attending to their care have been forced to absorb enormous financial costs. The Committee believes that these costs should not be borne exclusively by the providers of the care, but should be shared by the local community, PVO's, and national refugee assistance organizations, many of whom are recipients of U.S. Government funds. The Committee feels that it is unfair, and unreasonable, for the full cost and burden of treatment of seriously ill refugees to be borne by individual hospitals or physicians.

The Committee directs that the Secretary of Health and Human Services, and the Secretary of State, devise an administration policy and program, by December 31, 1988, for the reimbursement of U.S. medical institutions and physicians which have proffered medical care for seriously ill, nonresident refugees. The Secretary of State and the Secretary of Health and Human Services are directed to provide the Committee with a joint report, by December 31, 1988, on pending re-

quests to the administration for urgent refugee medical care in the United States, and the status of those refugees admitted into the United States for urgent medical care during the past year.

ROMANIAN REFUGEES IN HUNGARY

It has been brought to the attention of the Committee that there are about 30,000 ethnic Hungarians and about 6,000 ethnic Romanians from Transylvania in Hungary. The Committee is informed that while ethnic Hungarian refugees are accepted as permanent settlers, the ethnic Romanians are regarded only as temporary settlers in Hungary. At the present time, most are situated near the Hungarian-Romanian border in eastern Hungary and in the suburbs of Budapest. The Committee recommends that the administration consider an appropriate response to this situation, including consultation with the U.N. High Commission for Refugees and that it report to the Committee on steps both it, and the UNHCR, are taking to address this refugee situation.

AFRICAN REFUGEES

The Committee notes the continuing problem of forced repatriation by Zimbabwean officials of refugees fleeing the violence in Mozambique. It is clear also that access to would-be asylum seekers has been restricted.

The Committee notes with alarm the continuing displacement of large segments of the civilian population of Mozambique as a result of violence, the corresponding impact of Mozambican refugees in contiguous countries, particularly Malawi. The Government of Malawi is to be commended for sheltering this large and desperate refugee population. The Committee urges the Department of State to be of maximum assistance to international organizations, the Malawi Red Cross, and others who are struggling to relieve this tragic humanitarian emergency.

The Committee also notes with alarm reports it has received of Mozambican civilian refugees dying as a result of encountering the electrified fence constructed by South African authorities on the border between Mozambique and South Africa. The Committee requests the Bureau for Refugee Programs to submit a report on this situation and efforts the United States has taken to relieve it, by December 31, 1988.

Once again, the refugee situation in the Horn of Africa is rapidly deteriorating, with particularly disturbing developments in northern Ethiopia and in southern Sudan. The Committee urges the Bureau for Refugee Programs to respond promptly to these emergencies. The Committee notes with concern reports from voluntary agencies that UNHCR has been slow to respond to the needs of Sudanese refugees in Ethiopia despite its possession of adequate supplies in country.

EMERGENCY REFUGEE AND MIGRATION ASSISTANCE

Appropriation, 1988	
Budget request, 1989	
House allowance	$30,000,000
Committee recommendation	50,000,000

The Committee is recommending an appropriation of $50,000,000 for the emergency refugee and migration assistance fund. This is an increase of $20,000,000 over the level included in the House bill. The administration did not make any request for the replenishment of this fund for fiscal year 1989.

With the recent Moscow Summit and the agreement by the Soviet Union to remove its military forces from Afghanistan, there is a very real prospect that the influx of refugees returning to their homeland will overwhelm the ability of any Afghan government to meet their minimum basic requirements. Afghans in Pakistan are the single largest group of refugees in the world. The Government of Pakistan reports registration of more than 2.9 million Afghans. To date, relief assistance—including food, shelter, clothing, and medicine—is being provided by the international community largely through the auspices of the U.N. High Commissioner and the World Food Program. The Pakistan Government has afforded Afghans with a remarkable degree of support in light of the economic and political costs entailed in providing refuge to this number of people.

Circumstances have now changed since the administration submitted its fiscal year 1989 budget request. It was not anticipated at the time that there would be such swift movement toward a settlement in Afghanistan. The Committee recognizes that the U.S. Foreign Assistance program does not have the resources to meet all or most of the resettlements needs of the returning Afghan refugees, nor does the Committee believe that it should be the responsibility of the United States to do so. Rather, assistance must be the responsibility of an international effort, presumably through the good offices of the UNHCR. The Committee's earmark of $50,000,000 for assistance for Afghan refugees, which should be administered in cooperation with the UNHCR, is a recognition of the immediacy of refugee problems in Afghanistan and the need to provide humanitarian assistance for the Afghan people.

The Committee expects the $50,000,000 provided in this section to be in addition to the amounts the administration is currently planning to provide Afghan refugees through multilateral programs in fiscal year 1989. Furthermore, the Committee believes that up to $45,000,000 of

this money should be available to the AID administered cross border humanitarian assistance program.

Given the extraordinary number of refugees in need of assistance, the Committee has waived the provision contained in the Foreign Assistance Act which places a dollar ceiling on the amounts which may be appropriated to the fund.

ANTITERRORISM ASSISTANCE

Appropriation, 1988	$9,840,000
Budget request, 1989	9,840,000
House allowance	9,840,000
Committee recommendation	9,840,000

The Anti-Terrorism Assistance Program was first authorized in 1983. Since that time it has developed into a training program concentrating on airport, and harbor security, protection for individuals, and hijack crisis management. These training activities involve most of the program's funds. The program also makes grants of about $800,000 each year for airport security and related equipment.

In 1988, approximately 20 countries participated in training programs operated by the Anti-Terrorism Assistance Program. The administration projects that by the end of 1988 over 45 countries will be participating in some fashion in the Anti-Terrorism Assistance Program.

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TITLE III

MILITARY ASSISTANCE

This year, for reasons of programmatic efficiency and budgetary necessity, the Committee has decided to merge the Military Assistance Program [MAP] into an all Foreign Military Sales [FMS] Forgiven Program. It has done this in the belief that scarce military assistance funds will be maximized, and that recipient countries will receive the full benefit of the available funds. The following sections provide information on the history and evolution of the MAP and FMS Programs. A section detailing the Committee's recommendations for a combined Military Assistance Program concludes this part of the Committee's report.

MILITARY ASSISTANCE GRANTS

Appropriation, 1988	$700,750,000
Budget request, 1989	467,000,000
House allowance	867,750,000
Committee recommendation	

The Military Assistance Program [MAP] was created by the Mutual Defense Assistance Act of 1949. The MAP program provided for the loan or outright grant of military equipment, materiel, or services by the United States to eligible friendly nations. In practice, nearly all items under MAP have been provided on a grant basis. The initial purpose of the MAP program was to strengthen the mutual defense and collective security of the non-Communist world. Thus, in the early years of the program, substantial aid was given to NATO countries and to other nations such as Korea and the Philippines. The MAP program was seen as a military complement to the Marshall plan. It provided aid to nations deemed vital to United States national interests in our effort to contain the expansion of Soviet power and influence.

In the early years of MAP its regional focus was on Europe. As many of our Western allies regained their economic strength and vitality, the focus of the MAP program shifted to nations in the developing world. In comparison to NATO, these less industrialized nations did not need the quantity of expensive U.S. military equipment for their military forces. As a consequence, funding levels for MAP declined, though some nations continued to receive it. MAP declined substantially in the 1970's as the U.S. Government began using loans as the principal means of providing military assistance.

In 1980 Congress authorized the merger of MAP funds with Foreign

Military Sales [FMS] funds for foreign purchases from defense stocks or from new procurement. Since fiscal year 1982, the bulk of MAP funds have been merged with recipient countries' FMS accounts. These funds are now used, in effect, as a subsidy for military sales.

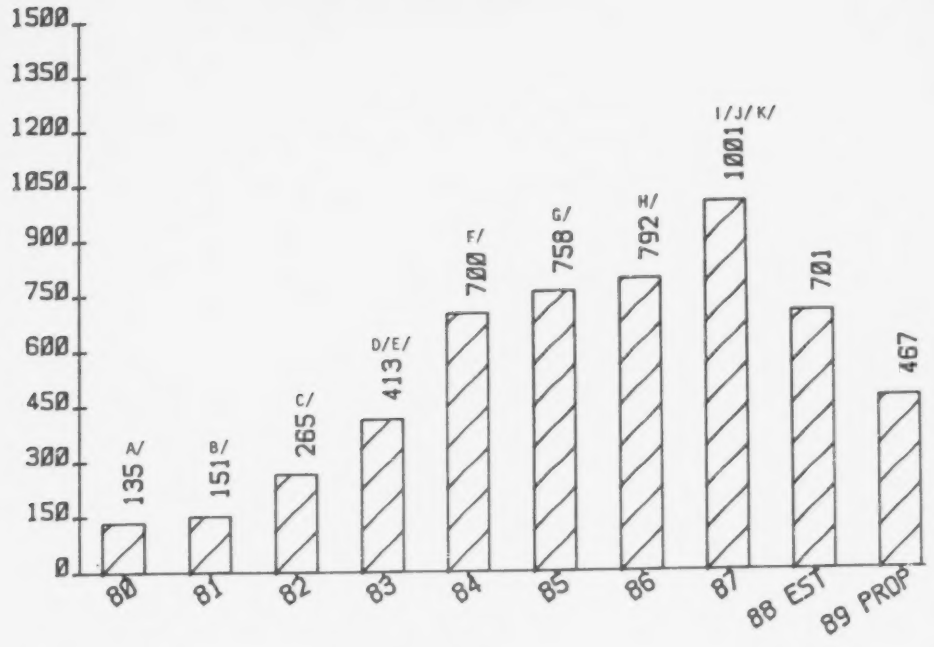
MILITARY ASSISTANCE PROGRAM

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Country programs	955,774	662,750	425,000
General costs	45,039	38,000	42,000
Total obligations	1,000,813	700,750	467,000
Other reimbursements	-1,073		
Unobligated balance, start of year	-50,000		
Unobligated balance, end of year			
Unobligated balance lapsing	260		
Budget authority (appropriation)	950,000	700,750	467,000
Outlays	355,705	632,895	623,796

The following graphs illustrate the funding of this program in current and constant dollars since fiscal year 1978:

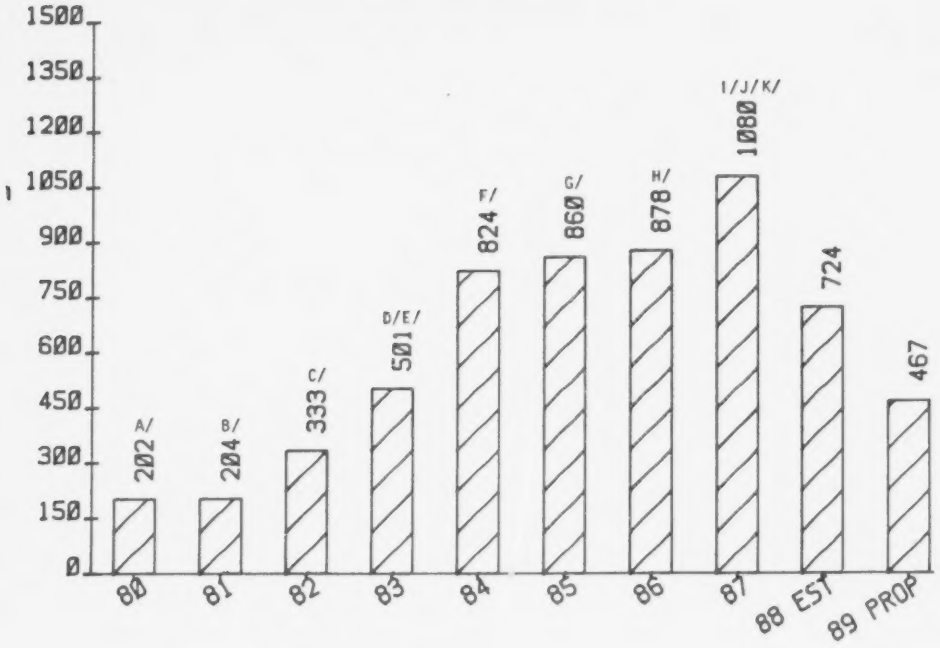
MILITARY ASSISTANCE PROGRAM
FY 1980 - 1989
CURRENT DOLLARS IN MILLIONS



FISCAL YEARS

A/ Includes $1.1 million of section 506(a) drawdown authority.
B/ Includes $26 million of section 506(a) drawdown authority.
C/ Includes $55 million of section 506(a) drawdown authority.
D/ Includes a supplemental of $93.3 million.
E/ Includes $25 million of section 506(a) drawdown authority.
F/ Includes a supplemental of $201.8 million.
G/ Includes $18.5 million appropriated in fiscal year 1984 for Regional Military Training Center [RMTC] but reprogrammed in fiscal year 1985 as follows: $2 million for Costa Rica, $10 million for EL Salvador, and $6.5 million for Honduras.
H/ Includes $40 million of section 506(a) drawdown authority.
I/ Includes a fiscal year 1987 supplemental appropriation of $50 million for the Philippines.
J/ Includes a fiscal year 1986 supplemental appropriation of $50 million for the Philippines obligated in fiscal year 1987.
K/ Includes $25 million of section 506(a) drawdown authority.

MILITARY ASSISTANCE PROGRAM
FY 1980 - 1989
MILLIONS OF CONSTANT FY 1989 DOLLARS



A/ Includes $1.6 million of section 506(a) drawdown authority.
B/ Includes $35 million of section 506(a) drawdown authority.
C/ Includes $69.2 million of section 506(a) drawdown authority.
D/ Includes a supplemental of $113.3 million.
E/ Includes $30.4 million of section 506(a) drawdown authority.
F/ Includes a supplemental of $237.5 million.
G/ Includes $21 million appropriated in fiscal year 1984 for Regional Military Training Center [RMTC] but reprogrammed in fiscal year 1985 as follows: $2.3 million for Costa Rica, $11.4 million for EL Salvador, and $7.4 million for Honduras.
H/ Includes $44.4 million of section 506(a) drawdown authority.
I/ Includes a fiscal year 1987 supplemental appropriation of $54 million for the Philippines.
J/ Includes a fiscal year 1986 supplemental appropriation of $54 million for the Philippines obligated in fiscal year 1987.
K/ Includes $27 million of section 506(a) drawdown authority.

The following table provides country level detail of the current and proposed Military Assistance Program.

MILITARY ASSISTANCE PROGRAM BUDGET AUTHORITY/OBLIGATIONS

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Africa:			
Africa civic action/health	4,130	3,000	5,000
Botswana	1,500	.....	4,000
Cameroon	500	.....	.....
Central African Republic	500	.....	500
Chad	9,000	5,500	10,000
Djibouti	1,200	1,000	2,000
Guinea	1,000	.....	.....
Kenya	7,500	5,000	13,000
Liberia	1,000	.....	1,000
Madagascar	500	.....	1,000
Malawi	500	500	1,200
Niger	1,500	1,000	2,000
Senegal	1,544	750	2,000
Somalia	7,500	5,500	17,000
Sudan	5,000	.....	5,000
Zaire	4,000	3,000	10,000
Regional total	46,874	25,250	73,700
American Republics:			
Antigua-Barbuda [1]	600	.....	1,030
Barbados [1]	550	.....	830
Belize	500	.....	500
Bolivia	1,000	.....	5,000
Colombia	3,500	.....	5,000
Costa Rica	1,500	.....	1,500
Dominica [1]	900	.....	700
Dominican Republic	2,500	.....	2,000
Ecuador	4,000	.....	3,000
El Salvador	110,000	85,000	95,000
Grenada [1]	825	.....	730
Guatemala	5,000	7,000	5,000
Haiti	1,000	.....	.....
Honduras	60,000	40,000	60,000
Jamaica	3,000	.....	3,500
Panama	2,900	.....	.....
St. Christopher-Nevis [1]	750	.....	450
St. Lucia [1]	725	.....	720
St. Vincent and Grenadines [1]	650	.....	540
Uruguay	500	.....	
Regional total	200,400	132,000	185,500
East Asia and Pacific:			
Fiji	.....	.....	300
Indonesia	10,000	.....	10,000
Philippines	150,000	125,000	110,000
Thailand	50,000	20,000	45,000
Regional total	210,000	145,000	165,300

MILITARY ASSISTANCE PROGRAM BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Europe and Canada:			
Greece		30,000	
Portugal	80,000	80,000	
Turkey	312,059	156,000	
Regional total	392,059	266,000	
Near East and South Asia:			
Jordan	39,941	26,500	
Morocco	32,000	40,000	
Nepal			500
Tunisia	32,500	27,000	
Yemen	1,000	1,000	
Regional total	105,441	94,500	500
Nonregional:			
Antinarcotics armaments	1,000		
General costs	45,039	38,000	42,000
Nonregional total	46,039	38,000	42,000
Total budget authority/obligations	1,000,813	700,750	467,000

[1] These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative in section III for a discussion of specific country programs.

Below is a list of the names and assignments of those flag and general officers currently assigned to the Military Assistance Program:

Flag and general officers

Officer and country	*Assignment*
Lt. Gen. Charles W. Brown, USA	Director, DSAA.
Brig. Gen. W.W. Kastenmayer, USA	Commander, USA Security Affairs Command.
Brig. Gen. D.L. Kaufman, USAF	Director, International Programs, DCS, Programs and Resources.
Maj. Gen. James R. Klugh, USA	Assistant Deputy Chief of Staff for Logistics, Security Assistance.
Maj. Gen. Richard A. Pierson, USAF, Greece.	Chief, JUSMAG.
Rear Adm. Gerald L. Riendeau, USN, Spain.	Chief, JUSMAAG.
Maj. Gen. William E. Potts, USA, Turkey.	Chief, JUSMMAT.
Maj. Gen. John R. Farrington, USAF, Saudi Arabia.	Chief, USMTM.
Maj. Gen. Todd P. Graham, USA, Korea.	Chief, JUSMAG.
Maj. Gen. Andrew L. Cooley, USA, Egypt.	Chief, OMC.
Brig. Gen. W.H. Riley USA	USA Project Manager, SANG Modernization Program.

Flag and general officers—Continued

Officer and country	*Assignment*
Maj. Gen. Charles E. Teeter, USA, Philippines.	Chief, JUSMAG.
Brig. Gen. Herbert M. Wassom, USA, Pakistan.	Chief, ODRP.
Brig. Gen. Peter W. Lash, USA, Thailand.	Chief, JUSMAG.

Foreign Military Credit Sales

Appropriation, 1988	$4,049,000,000
Budget request, 1989	4,460,000,000
House allowance	3,893,000,000
Committee recommendation	4,779,260,000

The Foreign Military Sales [FMS] credit program was established by the Mutual Security Act of 1954, and from the mid-1960's into the 1970's gradually came to displace the MAP grant program as the largest military assistance program of the United States. The purpose of the FMS credit program since its inception has been to help friendly foreign governments finance the purchase of U.S. defense articles and services. The credit program, when established, was seen as a logical progression from a military assistance program that had formerly been composed almost exclusively of grants. It has been used to help foreign purchasers graduate from the use of U.S. grant military assistance, with the expectation that, at some point, foreign purchasers of U.S. defense articles will no longer require either grants or even credits to purchase needed military equipment from the United States.

Throughout its history, the FMS financing program has provided assistance through two types of loans—direct and guaranteed. Through direct loans, the Department of Defense finances procurement of defense articles and services out of funds specifically appropriated for that purpose. Direct loans require appropriations for the full amount of the principal to be loaned. Because such funds must be appropriated they are shown in the budget as new obligational authority—they are on budget. From fiscal year 1955 until fiscal year 1965 nearly all FMS loans were direct loans. Guaranteed loans, by contrast, did not require full appropriations and were not shown in full in the budget as obligational authority—they were off budget. From the mid-1960's until 1980, Congress appropriated a percentage of the loan guarantees issued during each fiscal year for a reserve account to cover missed payments of borrowers (see discussion under Guaranty Reserve Fund).

The Defense Department was first authorized to extend guaranteed loans in the early 1960's. DOD issued guarantees to cover FMS loans issued by the Export-Import Bank (until 1968), private financial institutions, and suppliers who made direct commercial sales. The borrowing country negotiated the terms of the guaranteed loans with the lender, although the U.S. Government did not sanction variable rate loans as a matter of policy. When the U.S. Government felt that loans at concessional interest rates were appropriate, it made direct loans.

The Congress, in 1973, established the Federal Financing Bank [FFB] at the Department of the Treasury to centralize control of the debt issuances of Government agencies and thus to ensure a more orderly marketing of U.S. debt instruments. At that time, the Defense Security Assistance Agency [DSAA], the element of the Department of Defense responsible for managing the FMS loan program, discontinued its practice of directly guaranteeing loans with private financial institutions. Since fiscal year 1974, DSAA has worked exclusively through the Federal Financing Bank in issuing FMS guaranty loans.

During the period from fiscal year 1974 through fiscal year 1984, nearly all FMS financing in the form of guaranteed loans was provided at market interest rates through the Federal Financing Bank. During this same period (fiscal year 1974–84) few nations received any FMS direct loans. Of those that did. Israel and Egypt, collectively, received most of all such loans that were made. Since fiscal year 1985, all new FMS loans have been direct loans, on budget and require appropriations for the full amount of their principal.

In summary, from fiscal year 1955 until fiscal year 1965, nearly all FMS loans were direct loans, and beginning in the early 1960's, the FMS program included direct and guaranteed loans. From fiscal year 1974 through fiscal year 1984, most FMS loans were guaranteed loans—although Israel and Egypt both received significant amounts in direct loans. From fiscal year 1985 to the present all FMS loans have been direct loans.

Although the FMS financing program requires repayment by the recipient governments for loans received, from fiscal year 1974 until fiscal year 1984 two nations Israel and Egypt (with the singular exception of Sudan in fiscal year 1982) had important portions of their FMS loan repayments waived. From fiscal year 1985 forward, all FMS loans to Israel and Egypt have had their repayments waived.

Since repayment is not required in these circumstances, these loans have been the equivalent of grants. These waived or forgiven loans, when made, have been funded through full appropriations in the fiscal year provided.

The concept of a Foreign Military Sales credit Program is a valid one. Yet the approach to implementing it in recent years has had the effects of increasing already serious debt burdens of some nations, and encouraging certain recipients to purchase weapons and create military force structures that they cannot reasonably be expected to maintain without receiving continuing external support.

Due to the expansive and explosive manner in which Foreign Military Sales credits have been made available since the 1970's, many recipient countries have also been permitted to develop wholly unrealistic notions regarding the levels of such assistance they could expect to receive from the United States in future years. At the same time these nations were at least implicitly led to believe that if their military credit purchases created serious financial problems for them, the United States would take actions to relieve these debts.

Two examples illustrate these points. In the mid-1970's the executive branch adopted the practice of providing extended repayment terms to selected countries that received FMS guaranteed loans. Under this arrangement, the recipient nation had the loan period extended from 12 years to 30 years, with the proviso that for the first 10 years of the loan it would only be responsible for making payments on the interest obligation. Among the nations that received such loans were Israel, Egypt, Sudan, Somalia, Greece, and Turkey.

The inherent problem with such loan arrangements is that they only pushed off the basic debt obligation. From the 11th year on, each nation holding such a loan would be responsible for payment of both principal and interest. In the years prior to that time, they would have paid interest without retiring a dollar of the loan principal. At the same time these nations would almost certainly have acquired other debt burdens. Depending upon individual financial circumstances, servicing such loans in their last 20 years could create significant payment problems for the borrower.

A second FMS loan practice adopted at the end of the Carter administration was what is termed "cash flow" financing. This method of financing works as follows. In a normal major weapons purchase, DOD reserves FMS credits or MAP funds for the full value of an FMS case, even though actual payments may be spread over several years. For cash flow financing, DOD reserves initially only the first fiscal year's payments from FMS credits or MAP, with the clear expectation that additional amounts of FMS credits or MAP will be reserved during each succeeding fiscal year in which payments become due.

In basic terms, cash flow financing permits a nation to place more purchase orders up to its credit limit in a given fiscal year than would normally be the case. Each cash flow sale specifies that the purchasing country will make any payments that exceed U.S. financing available in the out years so that they can make budgetary plans for this contingency.

The principal argument in favor of cash flow financing is that it increases the purchasing power of a nation's FMS credits by allowing it to buy more equipment now while spreading the financing of that equipment over several years. The implicit assumptions of cash flow financing are, however, that the United States will continue to appropriate sufficient funds each fiscal year to permit nations using this method of payment to cover their minimum debt obligations, and that the purchasing nation's budgetary situation will make it possible to pay for all the weaponry it has contracted for.

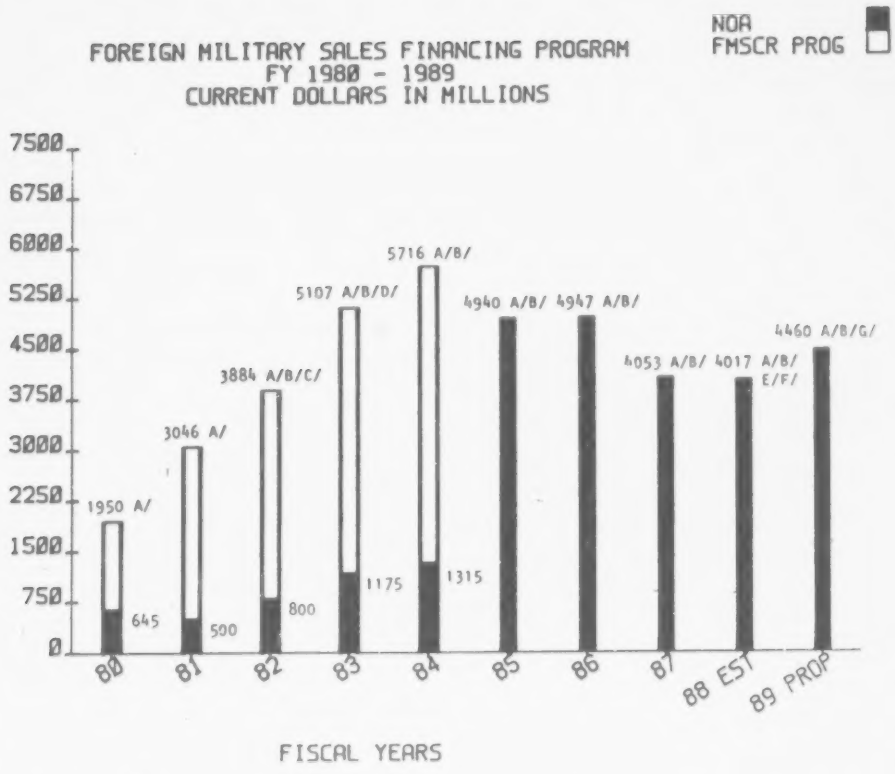
The principal problems inherent in cash flow financing are these:

First, the method limits the flexibility of the Congress to determine how to allocate FMS funding from one fiscal year to the next. If it is known that friendly nations have already undertaken significant purchases using cash flow financing, it makes it difficult to cut the FMS financing levels for them lest it create severe budgetary problems for those nations.

Second, as the United States itself has fewer funds to allocate for the FMS credit program, automatically tying up funds at the beginning of a fiscal year to cover the cash flow needs of a limited number of countries may well mean that other nations that require FMS credits may not be able to obtain them.

Despite its surface attractiveness, cash flow financing, in the end, may not serve the interests of recipient countries either if they use it injudiciously to purchase items that are truly not immediately needed but are purchased because such favorable financing arrangements are available. Cash flow financing can be a means of creating an additional debt burden that can lead to financial disaster in individual cases.

The following graphs detail the amount provided for this program in both current and constant dollars since fiscal year 1978:



A/ Includes nonreimbursable financing for Israel as follows: Fiscal years 1980 and 1981, $500 million annually; fiscal year 1982, $550 million; fiscal year 1983, $750 million; fiscal year 1984, $850 million; fiscal year 1985, $1,400 million; fiscal year 1986, $1,722.6 million; fiscal year 1987, $1,800 million, fiscal year 1988, $1,800 million; fiscal year 1989, $1,800 million.

B/ Includes nonreimbursable financing for Egypt as follows: Fiscal year 1982, $200 million; fiscal year 1983, $425 million; fiscal year 1984, $465 million; fiscal year 1985, $1,175 million; fiscal year 1986, $1,244.1 million, fiscal year 1987, $1,300 million; fiscal year 1988, $1,300 million, fiscal year 1989, $1,300 million.

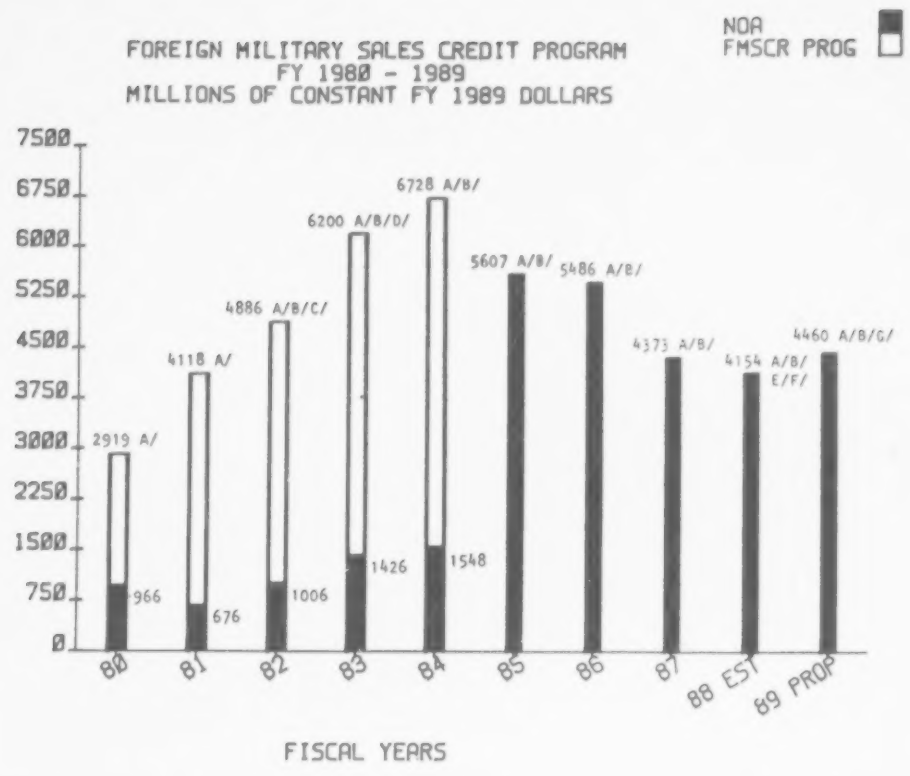
C/ Includes $50 million nonreimbursable financing for Sudan.

D/ Includes a supplemental of $293.5 million.

E/ Includes nonreimbursable financing of $30 million for Pakistan and $156 million for Turkey.

F/ Reflects net budget authority after rescission of $32 million applicable to fiscal years 1985 and 1986 appropriations.

G/ In addition to amounts for Israel and Egypt, remainder of fiscal year 1989 program proposed as nonreimbursable financing.



A/ Includes nonreimbursable financing for Israel as follows: Fiscal year 1980, $749 million; fiscal year 1981, $676 million annually; fiscal year 1982, $692 million; fiscal year 1983, $911 million; fiscal year 1984, $1,000 million; fiscal year 1985, $1,589 million; fiscal year 1986, $1,910 million; fiscal year 1987, $1,942 million, fiscal year 1988, $1,861 million; fiscal year 1989, $1,800 million.

B/ Includes nonreimbursable financing for Egypt as follows: Fiscal year 1982, $252 million; fiscal year 1983, $516 million; fiscal year 1984, $547 million; fiscal year 1985, $1,332 million; fiscal year 1986, $1,379.7 million; fiscal year 1987, $1,403 million, fiscal year 1988, $1,343 million; fiscal year 1989, $1,300 million.

C/ Includes $63 million nonreimbursable financing for Sudan.

D/ Includes a supplemental of $356.3 million.

E/ Includes nonreimbursable finanicng of $31 million for Pakistan and $161 million for Turkey.

F/ Reflects net budget authority after rescission of $33 million applicable to fiscal years 1985 and 1986 appropriations.

G/ In addition to amounts for Israel and Egypt, remainder of fiscal year 1989 program proposed as nonreimbursable financing.

The proposed FMS Program is detailed in the following chart by region and country:

FOREIGN MILITARY SALES FINANCING PROGRAM—BUDGET AUTHORITY/OBLIGATIONS

[In thousands of dollars]

	Actual fiscal year 1987			Estimated fiscal year 1988			Proposed fiscal year 1989		
	Concessional rate	Forgiven	Total	Concessional rate	Forgiven	Total	Concessional rate	Forgiven	Total
Africa: Kenya	3,000		3,000						
Regional total	3,000		3,000						
East Asia and Pacific:									
Indonesia				4,000		4,000			
Thailand				23,500		23,500			
Regional total				27,500		27,500			
Europe and Canada:									
Greece	343,000		343,000	313,000		313,000	350,000		350,000
Portugal				2,500		2,500	100,000		100,000
Spain	105,000		105,000						
Turkey	177,941		177,941	178,000	156,000	334,000	550,000		550,000
Regional total	625,941		625,941	493,500	156,000	649,500	1,000,000		1,000,000
Near East and South Asia:									
Egypt		1,300,000	1,300,000		1,300,000	1,300,000	1,300,000		1,300,000
Israel		1,800,000	1,800,000		1,800,000	1,800,000	1,800,000		1,800,000
Jordan							48,000		48,000
Morocco	12,000		12,000	12,000		12,000	40,000		40,000

Pakistan	312,500		312,500	230,000	30,000	260,000	240,000	240,000
Tunisia							30,000	30,000
Yemen							2,000	2,000
Regional total	324,500	3,100,000	3,424,500	242,000	3,130,000	3,372,000	3,460,000	3,460,000
Worldwide total obligations	953,441	3,100,000	4,053,441	763,000	3,286,000	4,049,000	4,460,000	4,460,000
Rescission of prior year obligations						-32,000		
Worldwide net budget authority	953,441	3,100,000	4,053,441	763,000	3,286,000	[1] 4,017,000	4,460,000	4,460,000

[1] Public Law 100–202 appropriated $4,049,000 for fiscal year 1988. Also included in the law was a $32,000,000 rescission applicable to the fiscal years 1985 and 1986 appropriations resulting in a net budget authority of $4,017,000 for fiscal year 1988.

The administration proposed to finance the fiscal year 1989 Foreign Military Sales Credit Program in the following manner:

FOREIGN MILITARY SALES CREDIT PROGRAM

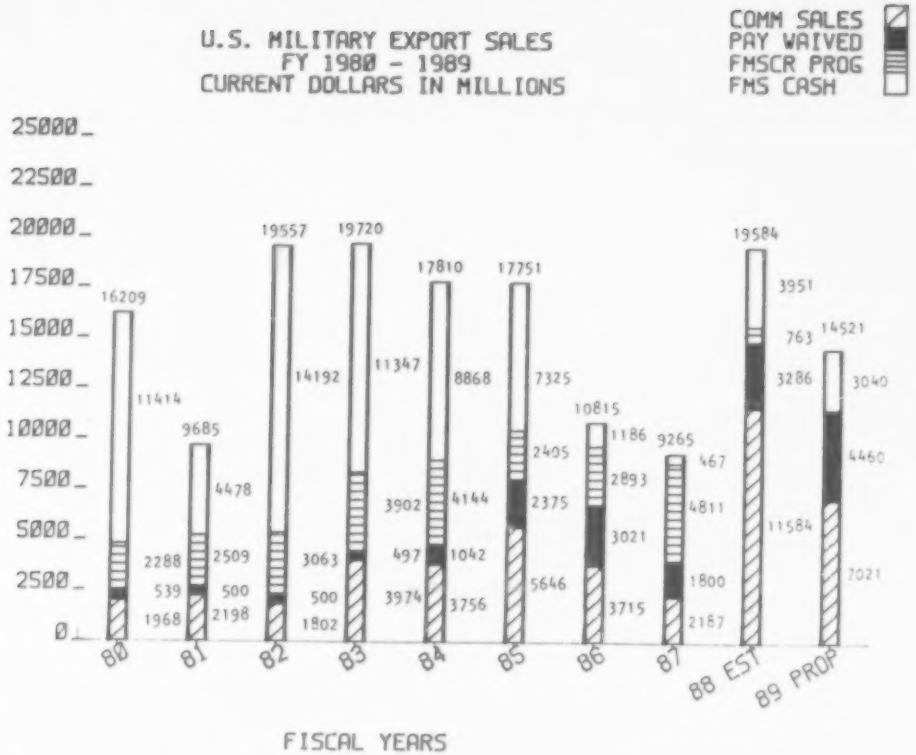
[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Foreign Military Sales Credit Program	4,053,441	4,049,000	4,460,000
Repayment forgiven for Egypt	(1,300,000)	(1,300,000)	(1,300,000)
Repayment forgiven for Israel	(1,800,000)	(1,800,000)	(1,800,000)
Repayment forgiven—others	.....	(186,000)	(1,360,000)
Concessional rate loans	(953,441)	(763,000)	.....
Rescission of prior year obligations	.....	-32,000	.....
Budget authority (appropriation)	4,053,441	[1]4,017,000	4,460,000
Outlays	3,758,234	[2] -2,263,835	[2]1,091,122

[1]Public Law 100-202 appropriated $4,049,000 for fiscal year 1988. Also included in the law was a $32,000,000 rescission applicable to the fiscal years 1985 and 1986 appropriations resulting in a net budget authority of $4,017,000 for fiscal year 1988.

[2]Reflects implementation of the FMS debt reform provisions of Public Law 100-202.

Following is a graph showing the relationship between Foreign Military Sales Credits to total U.S. military export sales in current and constant (1979) dollars:

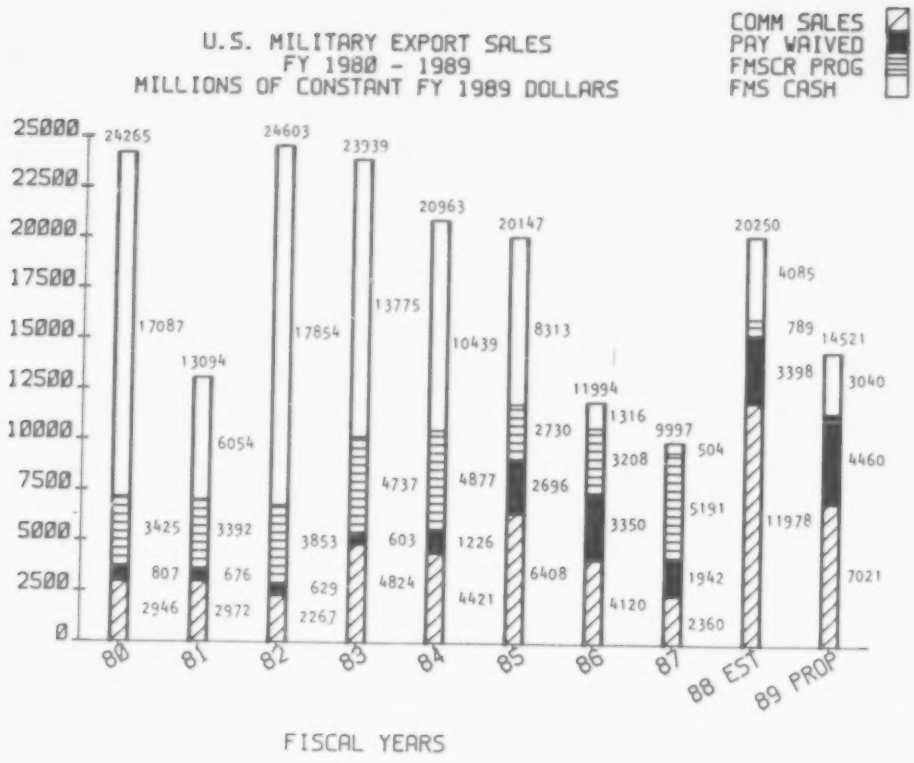


Commercial sales.—Deliveries (as distinguished from sales orders) by U.S. industries to foreign purchasers which are not administered by the Department of Defense. Data for fiscal year 1980 through fiscal year 1987 are based on value of exports to foreign countries and international organizations for which licenses were issued by the Office of Munitions Control, Department of State.

FMS sales payment waived.—Represents amounts disbursed from direct loans for which repayment has been waived, extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS credit sales.—Represents amounts disbursed from loans (direct, guaranteed and MAP merger) extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS cash sales.—Sales orders (as distinguished from deliveries) for which payment is made either cash in advance or, if the President so determines, within a reasonable period of time not to exceed 120 days after delivery of the article(s) or the rendering of service(s).



Commercial sales.—Deliveries (as distinguished from sales orders) by U.S. industries to foreign purchasers which are not administered by the Department of Defense. Data for fiscal year 1980 through fiscal year 1987 are based on value of exports to foreign countries and international organizations for which licenses were issued by the Office of Munitions Control, Department of State.

FMS sales payment waived.—Represents amounts disbursed from direct loans for which repayment has been waived, extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS credit sales.—Represents amounts disbursed from loans (direct, guaranteed and MAP merger) extended pursuant to the provisions of the Arms Export Control Act, in the current and/or prior years.

FMS cash sales.—Sales orders (as distinguished from deliveries) for which payment is made either cash in advance or, if the President so determines, within a reasonable period of time not to exceed 120 days after delivery of the article(s) or the rendering of service(s).

Combined Military Assistance

The Committee recommends for fiscal year 1989 a melding of the MAP and FMS Programs into a repayment-forgiven FMS program totaling $4,779,260,000. While this is essentially a grant military assistance program, we retain the FMS distinction because of the underlying programmatic provisions of the Arms Export Control Act which bear on the Foreign Military Sales Program.

The Committee recognizes that the move toward greater conditionality across the broad range of U.S. foreign assistance programs is essential if we are to continue to meet the mutual defense requirement of countries in need of our assistance. In recent years, this problem has grown only more acute as the demands on the foreign assistance budget have greatly exceeded the level of available funding. Stretching these resources, while preserving the integrity of the budget process, is the challenge facing the Committee today. In all likelihood it is a challenge which will continue to persist.

In terms of immediate buying power, lower program levels will mean reductions in the goods and services that military assistance recipients can acquire. In the long term, however, a move to forgiven credits will provide governments greater leeway to borrow in other channels for income-generating investments.

The Committee believes that security assistance is not a philanthropic effort, operating to the detriment of domestic programs and priorities. It not only produces direct domestic benefits in terms of employment, export sales, investment opportunities and access to raw materials for American industry, but it is a fundamental investment in the overall national security and well-being of the United States.

The Committee wishes to make clear its position on other matters of consequence involving FMS credits. In the last decade, a practice has developed of using FMS credits (and, in some cases, MAP funds) to, in effect, secure military base facilities or base access rights in nations friendly or allied to the United States. This practice has given some nations the view that they have an entitlement to a portion of the military assistance account for merely enhancing the ability of the U.S. military to promote the security of those that host bases as well as the non-Communist world.

The Committee wants to make it unmistakably clear that it will not be party to a military aid bidding war involving military base access rights. The United States does not pay friendly or allied nations for the right to advance the collective security interests of the free world. There are shared costs and benefits in an alliance or partnership relationship with the United States. There is also no more pernicious concept than the view that the United States must pay some form of military assistance to a friendly nation for the right to protect it.

The Committee strongly reminds nations that have or are negotiating military base access agreements with the United States, that, under our Constitution, no President—nor any of his representatives—can commit this Committee or the U.S. Congress to pay or obligate 1 cent to them in order to ensure that the U.S. obtains or retains access to foreign military bases. The Committee emphasizes that it will consider all requests for military assistance on their individual merits, consistent with the budgetary constraints under which it must operate. The Committee will not be guided in its actions by any threats, stated, or implied, from any government that failure to appropriate a given level of military assistance will result in loss of access to any foreign military base by U.S. military forces.

Greece/Turkey.—The Committee recommends earmarks of $500,000,000 for Turkey and $350,000,000 for Greece. These levels of assistance provide funding recommendations based on the historic 7-to-10 ratio which Congress has consistently supported. In accord with the curtailed spending available for all foreign assistance programs, the Committee has recommended reductions in funding requested for Greece and Turkey. To partially offset these reductions and, more importantly, in recognition of the difficulties Greece and Turkey are having in making effective use of FMS credits, the Committee also recommends the FMS be provided to these two countries and a repayment forgiven basis.

The Committee also recommends retention of bill language requiring: (1) that any article on the United States munitions list which is provided to Greece or Turkey shall only be provided with the expressly stated expectation that it will not be transferred to Cyprus or otherwise used to further the severance of Cyprus, and; (2) the President report to the Congress on any substantial evidence that equipment provided to Greece or Turkey has been used in a manner inconsistent with the expressly stated condition on the transfer.

ASSISTANCE TO GUATEMALA

The Committee will provide $9,000,000 in nonlethal military assistance to Guatemala of which not less than $2,000,000 will be spent on civic action and barracks construction for the Guatemalan military. This assistance is provided for the purpose of promoting democratically elected, civilian government in Guatemala and with the understanding that the country's defense forces will respect the human rights of the citizens of Guatemala.

The Committee continues to support the positive changes that have taken place in Guatemala since President Cerezo took office in January 1986. Since that time, the Government of Guatemala has made significant progress in improving the security, economic, and human rights situation in that country. The Committee will provide $9,000,000 in military assistance to Guatemala in the interest of encouraging this welcome trend.

The Committee remains concerned that random killings and disappearances continue to take place in Guatemala. There continue to be reports that elements of both the military and police are involved in a number of these instances. In providing assistance to Guatemala, it is the Committee's expectation that such assistance will be helpful in assisting the government of President Cerezo in the investigation of abuses against civilians. Furthermore, it is the Committee's desire that those responsible for human rights crimes be brought to justice and that the civil institutions intended to protect the rights of the citizenry be strengthened.

The Committee was deeply concerned about the May 11 coup attempt led by officers and their civilian supporters against the Cerezo government. The Committee is encouraged that the Guatemalan army,

led by its high command, supported its constitutional government and put down the revolt. To reaffirm its support for civilian rule in Guatemala and elsewhere, the Committee put into its bill a provision that all U.S. assistance will be terminated to any country whose duly elected head of government is deposed by military coup or decree.

The Committee believes that President Cerezo has made a concerted effort to expand his electoral appeal as demonstrated by the strong showing of his Christian Democratic party in the municipal elections in April. These results appear to signify that President Cerezo's credibility remains high among the bulk of the population and that his commitment to civilian rule in Guatemala has begun to leave its mark. The Committee will be watching to see how well Cerezo is able to draw disaffected military officers into the democratic process while at the same time seeking a negotiated resolution of the country's 27-year-old insurgency.

In providing aid to Guatemala, the Committee expects that the Government of Guatemala will continue to make significant progress toward (a) achieving control over its military and security forces; (b) investigating and prosecuting human rights violations alleged to have been committed by the security or defense forces since January 1986; (c) eliminating kidnappings and disappearances, forced recruitment into the civil defense patrols, and other abuses of internationally recognized human rights by such forces; (d) respecting the internationally recognized human rights of the indigenous Indian population; and (e) completing negotiations for a permanent presence of the International Committee of the Red Cross.

ASSISTANCE TO KENYA

For reasons set out elsewhere in this report, the Committee will provide $20,000,000 in Foreign Military Sales forgiven credits to Kenya in fiscal year 1989.

MILITARY ASSISTANCE TO JORDAN

The Committee is concerned about the long-term viability of the United States-Jordanian military relationship, which in recent years has suffered serious neglect. While the Congress has repeatedly made clear its refusal, under present circumstances, to provide Jordan with sophisticated military equipment, the Committee believes that the maintenance of the longstanding United States-Jordanian military relationship is in the interest of the United States. The Committee directs the executive branch to take adequate steps to reaffirm that relationship.

Despite the inability of the parties in the Middle East to reach a comprehensive peace, Jordan has continued to demonstrate its commitment to bringing the Arab-Israeli conflict to a peaceful, lasting resolution. Jordan has also supported United States efforts in the Persian Gulf and the Iran-Iraq war. The Committee, in expressing support for the United States-Jordanian military relationship, wishes to both encourage Jordan to continue searching for solutions to the Middle East conflict and reas-

sure Jordan that it is supportive of the present sustainment policy aimed principally at maintaining and modernizing United States military equipment in Jordan's inventory.

The Committee notes that a military assistance funding level of $60,000,000 would represent only about one-half of the costs to Jordan for maintenance, training, spare parts and product improvements for the United States equipment currently in Jordan's inventory. The United States must address more effectively these requirements.

The Committee also views highly favorably the International Military Education and Training Program, in which thousands of Jordanian military personnel have trained in the United States. These training programs have lasting dividends for the United States because important bonds of trust, understanding, and cooperation are created and represent a wise investment in the future.

ASSISTANCE TO MOROCCO

The Committee will provide $52,000,000 in Foreign Military Sales forgiven credits to Morocco in fiscal year 1989. The purpose of the assistance is to strengthen Morocco against military pressures from neighboring countries. The Committee also wishes to recognize the constructive role played by Morocco in its relations with both sides in the Arab-Israel dispute and in supporting United States strategic interests through the continued honoring of the 1982 base-access agreement.

The Committee commends the Government of Morocco for its recent decision to restore diplomatic relations with the Government of Algeria, and expresses its hope that this step will facilitate a resolution of the conflict in the Western Sahara.

The Committee further commends Morocco for the hard-earned success of its economic reform program. This program has become a model for the kind of economic liberalization and privatization the United States has been encouraging throughout the developing world. Emerging from a period of austerity sustained in pursuit of structural adjustment, Morocco is developing a number of more efficient economic sectors geared toward export-led growth and sound, sustained development.

The Committee recognizes that Morocco also stands out in the developing world as an example of a stable, multiparty political system and as a model of religious and cultural tolerance. The Moroccan constitution guarantees numerous civil liberties and provides for a vigorous pluralism. The rights of the Moroccan Jewish community are protected by the constitution and by King Hassan II himself.

As it did last year, the Committee has earmarked $20,000,000 in Economic Support Funds and $52,000,000 in military assistance for Morocco.

The Committee is concerned that as a result of the decision of Congress to ensure the full funding of these two accounts for Morocco, the administration reduced Morocco's development assistance funds in fiscal year 1988. The Committee understands that development assis-

tance funds are used in Morocco to sustain ongoing development projects in agriculture, population planning, and education, and that reductions in these resources will undermine the long-term contributions of the projects to Moroccan economic development. The Committee directs the administration not to continue such reductions in development assistance to Morocco.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Appropriation, 1988	$47,400,000
Budget request, 1989	52,500,000
House allowance	51,254,000
Committee recommendation	47,400,000

The International Military Education and Training Program [IMET] request for fiscal year 1989 totals $52,500,000. The program would be funded in the following manner:

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

	Fiscal year—		
	Actual 1987	Estimated 1988	Proposed 1989
International Military Education and Training Program	$56,000,000	$47,400,000	$52,500,000
Unobligated programs	−237,000		
Total obligations	55,763,000	47,400,000	52,500,000
Unobligated balance lapsing	−237,000		
Budget authority (appropriation)	56,000,000	47,400,000	52,500,000
Outlays	51,087,000	47,559,000	47,005,000

The administration's proposal would provide instruction and training in military skills and U.S. military doctrine to the armed forces and military civilian personnel of friendly countries as shown in the following table:

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

BUDGET AUTHORITY/OBLIGATIONS

[In thousands of dollars]

	Fiscal year—		
Country	Actual 1987	Estimated 1988	Proposed 1989
Africa:			
Benin	88	75	75
Botswana	356	335	350
Burkina Faso	80	50	100
Burundi	146	140	140
Cameroon	298	250	250
Cape Verde	52	50	50
Central African Republic	181	150	180
Chad	273	200	250
Comoros	24	40	40
Congo	2	40	40

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Africa—Continued			
Djibouti	162	135	135
Equatorial Guinea	97	75	75
Gabon	144	150	200
Gambia	60	60	100
Ghana	233	225	225
Guinea	196	150	150
Guinea-Bissau	47	50	50
Ivory Coast	170	150	150
Kenya	1,054	1,200	1,200
Lesotho	50	50	50
Liberia	401	500	800
Madagascar	86	75	75
Malawi	173	200	250
Mali	162	150	150
Mauritania	92	100	100
Mauritius	.....	50	50
Niger	257	250	250
Nigeria	96	100	100
Rwanda	102	75	75
Sao Tome and Principe	42	50	50
Senegal	516	450	475
Seychelles	26	35	40
Sierra Leone	69	70	70
Somalia	707	1,000	1,100
Sudan	994	900	1,000
Swaziland	66	50	50
Tanzania	.....	.....	35
Togo	74	60	75
Uganda	102	100	150
Zaire	1,236	1,080	1,200
Zimbabwe	170	200	200
Regional total	9,084	9,070	10,105
American Republics:			
Antigua and Barbuda[1]	43	50	50
Argentina	.....	50	125
Bahamas	54	50	60
Barbados[1]	74	70	70
Belize	97	70	100
Bolivia	196	400	400
Brazil	.....	50	125
Chile	.....	.....	50
Colombia	1,479	950	950
Costa Rica	219	230	230
Dominica[1]	52	50	50
Dominican Republic	830	700	700
Ecuador	541	650	650
El Salvador	1,496	1,500	1,500
Grenada[1]	79	80	80
Guatemala	492	375	400
Guyana	.....	.....	50
Haiti	275	200	550

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
American Republics—Continued			
Honduras	1,213	1,200	1,200
Jamaica	338	300	300
Mexico	244	225	225
Pacams	2,685	1,875	2,100
Panama	607	.....	445
Paraguay	125	125	125
Peru	147	400	560
St. Christopher-Nevis [1]	57	50	50
St. Lucia [1]	38	50	50
St. Vincent and Grenadines [1]	52	50	50
Suriname	.....	25	50
Trinidad-Tobago	72	50	75
Uruguay	202	125	125
U.S. Army School of the Americas [USARSA]	2,860	.....	.....
Venezuela	137	125	125
Regional total	14,704	10,075	11,620
East Asia and Pacific:			
Brunei	.....	.....	50
Burma	296	260	260
Fiji	79	.....	50
Indonesia	2,065	1,800	1,900
Korea	2,000	1,650	1,800
Malaysia	1,010	900	1,100
Papua-New Guinea	80	50	50
Philippines	2,576	2,600	2,600
Singapore	46	50	50
Solomon Islands	19	30	30
Thailand	2,340	2,150	2,200
Tonga	57	50	50
Regional total	10,568	9,540	10,140
Europe and Canada:			
Austria	55	50	60
Finland	67	60	60
Greece	1,234	1,100	1,130
Iceland	42	40	40
Ireland	2	.....	30
Luxembourg	.....	30	.....
Malta	.....	.....	50
Portugal	2,545	2,550	2,550
Spain	3,000	2,400	2,900
Turkey	3,486	3,300	3,500
Yugoslavia	65	70	100
Regional total	10,496	9,600	10,420
Near East and South Asia:			
Algeria	139	100	100
Bangladesh	295	300	300
Egypt	1,801	1,500	1,650

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

BUDGET AUTHORITY/OBLIGATIONS—Continued

[In thousands of dollars]

Country	Fiscal year— Actual 1987	Estimated 1988	Proposed 1989
Near East and South Asia—Continued			
India	222	300	500
Jordan	2,000	1,750	1,800
Lebanon	493	375	475
Maldives	36	30	30
Morocco	1,559	1,000	1,450
Nepal	107	100	100
Oman	39	150	150
Pakistan	1,150	815	915
Sri Lanka	160	160	160
Tunisia	1,595	1,400	1,450
Yemen	1,417	1,000	1,000
Regional total	11,013	8,980	10,080
Nonregional:			
General costs	135	135	135
Nonregional total	135	135	135
Total budget authority/obligations	56,000	47,400	52,500

[1]These countries comprise the eastern Caribbean. See Eastern Carribean narrative in section III for a discussion of specific country programs.

PROGRAM BACKGROUND

The International Military Education and Training [IMET] Program began as an integral part of the original MAP program. IMET was established to provide instruction on a grant basis to foreign military personnel and some civilians involved in defense affairs. Such instruction may be provided through attendance at military facilities (other than U.S. service academies) in the United States or abroad, attendance at schools and research institutes in the United States or abroad, or visits to military facilities and related activities in the United States or abroad. The statutory purposes of the IMET program are to encourage effective and mutually beneficial relations and mutual understanding between the United States and foreign countries, to improve the participants' ability to use resources obtained from the United States, thus enhancing their self-reliance, and to increase the participants' awareness of basic issues involving internationally recognized human rights.

To achieve the objectives of the IMET program, the U.S. military departments make available a wide variety of courses in the United States and abroad, including professional military education at U.S. war colleges, technical, and maintenance training, flight training, and English language training. The Department of Defense also provides an informational program to assist trainees in acquiring a balanced understanding of U.S. society, institutions, and goals. Ultimately, the emphasis of the

IMET program, as with its predecessor, is training officials who occupy, or are likely to occupy, influential positions in foreign military establishments.

Since its inception in 1950 as part of the MAP program, over 500,000 foreign officers and enlisted personnel have been trained through IMET. More than 2,000 participants have been trained in different specialties—from basic technical skills to professional military education. In 1976, the IMET program was formally established as a military assistance component separate from the MAP program.

The Committee believes that the IMET grant program has proven to be a valuable element in the U.S. military assistance effort. But, as with other programs in this title, the funding level requested must be reduced due to severe budgetary constraints imposed upon the Committee. Accordingly, the Committee is allocating $47,400,000 in fiscal year 1989 for the program. The Committee is convinced that grant IMET funds are being used in countries where the ability to pay for military training is not in question and in other countries where the rationale provided for a country program is at best questionable. Savings are clearly possible in such instances, and the Committee is confident that the administration will achieve them in a way that will place emphasis on developing military-to-military relationships that are the most vital to U.S. national interests.

COMMITTEE RECOMMENDATION

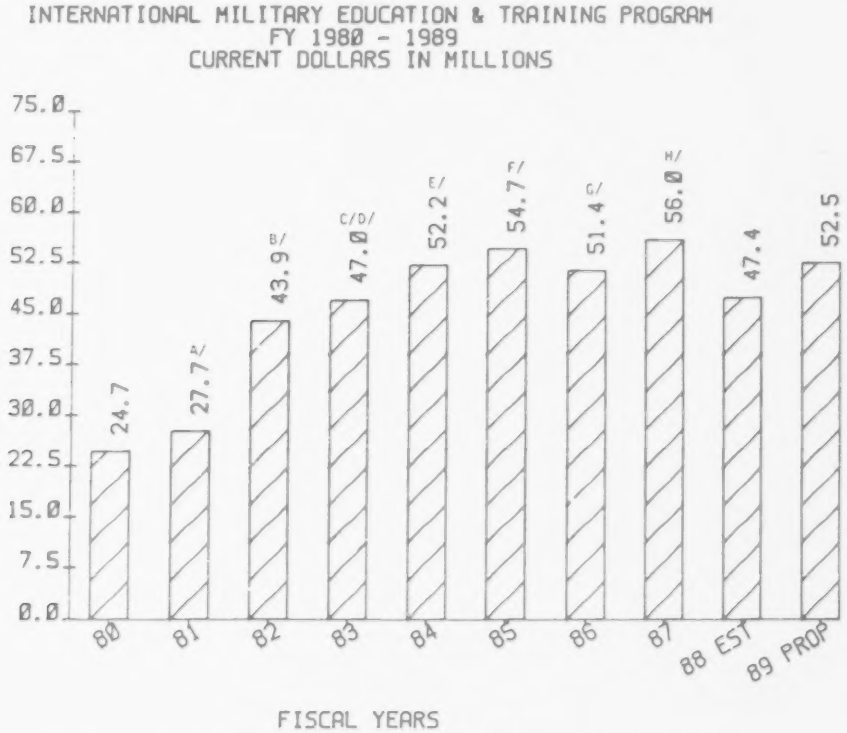
The Committee will provide $47,400,000 for the International Military Education and Training program [IMET] in fiscal year 1989.

The Committee wishes to express its displeasure at the egregious manner in which IMET funds have been used to support programs in advanced, industrialized countries with highly professional military establishments and longstanding relationships with its U.S. counterpart. The Committee believes these countries have the capacity to train and equip their own military forces and that any IMET expenditures made on their behalf constitutes a sharp deviation from the original purpose of the program. This purpose, as outlined in the administration's congressional justification document for fiscal year 1989, is to foster close professional ties with the American military and to inculcate like-minded values, efficiency, and a high level of performance in the recipient military establishment. The Committee has included language in its bill which directs that none of the funds appropriated under this heading shall be made available for grant financed military education and training for any country whose annual per capita GNP (as set forth in International Bank for Reconstruction and Development "World Development Report, 1988) exceeds $2,349.

Nation building training.—The Committee believes that military professional in many developing countries would benefit from training which enhances their ability to construct public works and to engage in other activities helpful to the economic and social development of their countries. This view is confirmed by the support of the United States

Department of State and the Department of Defense for civic action programs in Africa and elsewhere in the developing world. In order to carry out what has been called nation building training, the Committee encourages the Department of State and DOD to allocate a portion of the funds made available each year for IMET for training of foreign military personnel in nation building activities including engineering, communications, electronics, maintenance, medicine, logistics, management, and jurisprudence.

The following graphs detail the amount provided for this program in both current and constant dollars since fiscal year 1978:



A/ Includes $0.8 million of funding provided under MAP section 506(a) drawdown authority.

B/ Includes $3.2 million of funding provided under MAP section 506(a) drawdown authority.

C/ Includes a supplemental of $1 million.

D/ Includes $3.8 million of funding provided under MAP section 506(a) drawdown authority.

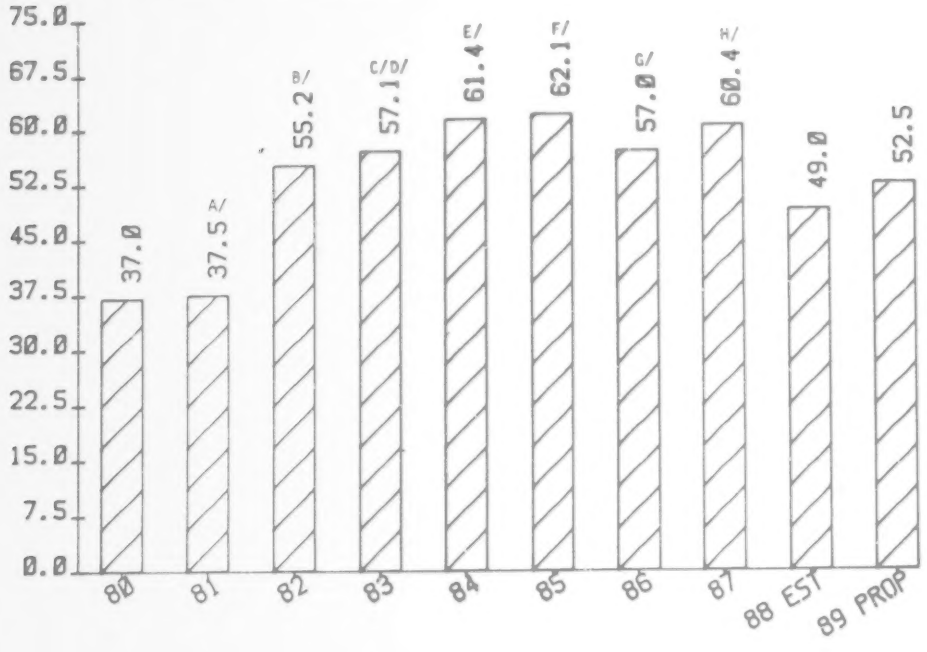
E/ Includes $2.1 million of funding provided under MAP section 506(a) drawdown authority.

F/ Includes $0.5 million of funding provided under MAP section 506(a) drawdown authority.

G/ Includes $0.1 million of funding provided under MAP section 506(a) drawdown authority.

H/ Includes $0.3 million of funding provided under MAP section 506(a) drawdown authority.

INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM
FY 1980 - 1989
MILLIONS OF CONSTANT FY 1989 DOLLARS



FISCAL YEARS

A/ Includes $1.1 million of funding provided under MAP section 506(a) drawdown authority.

B/ Includes $4 million of funding provided under MAP section 506(a) drawdown authority.

C/ Includes a supplemental of $1.2 million.

D/ Includes $4.6 million of funding provided under MAP section 506(a) drawdown authority.

E/ Includes $2.5 million of funding provided under MAP section 506(a) drawdown authority.

F/ Includes $0.6 million of funding provided under MAP section 506(a) drawdown authority.

G/ Includes $0.1 million of funding provided under MAP section 506(a) drawdown authority.

H/ Includes $0.3 million of funding provided under MAP section 506(a) drawdown authority.

SPECIAL DEFENSE ACQUISITION FUND

Appropriation, 1988	($236,865,000)
Budget request, 1989	(350,000,000)
House allowance	(236,865,000)
Committee recommendation	(236,865,000)

The Special Defense Acquisition Fund [SDAF] was created in 1981 as a revolving fund to finance the purchase of high-demand defense articles and services in anticipation of FMS or MAP transfer program requirements. SDAF allows the Defense Department to order and acquire materials before a foreign country requests them. DOD can use these advance procurements to deliver needed defense equipment to eligible countries more rapidly than through normal production and procurement, and without diverting or withdrawing this equipment from U.S. military forces. SDAF's existence thus reduces the prospect that the United States might be confronted with the choice of turning down a request for defense articles by a friendly nation in need of such items in less than the normal manufacturing time or fulfilling the requirement by diverting equipment from stocks of U.S. forces, and thereby possibly degrading their military readiness.

Prior to SDAF's creation, various receipts associated with sales of defense equipment by the military services were deposited in a Treasury Department miscellaneous receipt account. At the time it was created, and since, SDAF has been capitalized with DOD moneys that previously reverted to the Treasury, including asset use charges, charges for the proportionate recoupment of nonrecurring research, development, and production costs, and the sales of defense articles and services acquired with SDAF funds. By law (section 114(c) of title 10 United States Code) the size of the fund cannot exceed $1,070,000,000 cumulatively. This limit applies to the total of the amounts in the fund plus the value of defense articles held or on order by the SDAF.

Funds existing in SDAF may be obligated by the Defense Department for the purchase of selected defense articles and services. Annual appropriation acts specify the amounts in the fund that are available for obligation during the given fiscal year. Since SDAF's creation, it has been used in every fiscal year by DOD to procure high demand defense articles. These articles have included, for example, missiles of various kinds, ammunition, torpedoes, howitzers, military radios, and communications equipment. Amounts provided for SDAF since fiscal year 1982 are as follows: fiscal year 1982—$125,000,000; fiscal year 1983—$125,000,000; fiscal year 1984—$225,000,000; fiscal year 1985—

$325,000,000; fiscal year 1986—$325,000,000; fiscal year 1987—$315,820,000; fiscal year 1988—$236,865,000.

For fiscal year 1989 the Committee is setting the obligation ceiling for SDAF funds at $236,865,000. The Committee believes that the levels of funds expended under SDAF have been reasonable in the past, but that this limit is necessary to reinforce selectivity and caution in ongoing procurements. The Committee would like to emphasize that it intends to preserve the original purpose of SDAF. Accordingly, the Committee will not support any proposal to expand the existing authority to use SDAF for other purposes. The Committee most emphatically will not support the creation of a special Presidential drawdown authority for SDAF.

PEACEKEEPING OPERATIONS

Appropriation, 1988	$31,689,000
Budget request, 1989	31,689,000
House allowance	31,689,000
Committee recommendation	31,689,000

The Committee is recommending a funding level of $31,689,000 for peacekeeping operations. This is the same level as the administration request for fiscal year 1989 and the same level provided in fiscal year 1988.

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TITLE IV

EXPORT ASSISTANCE

As components of the International Development Cooperation Agency [IDCA], AID, OPIC, and TDP all share the common objective of promoting economic development in the Third World.

In contrast, the Export-Import Bank's [Exim] principal mandate is to assist in financing U.S. exports to both developing and developed countries. There are, however, strong links between the IDCA agencies and Exim, and their resources can be used to complement the respective activities of each agency. Each IDCA agency attempts to attain its objective in a manner which is mutually beneficial to both developing nations and the United States alike.

AID puts emphasis on meeting the basic human needs of developing countries through programs which include the transfer of technology and the adoption of policies which lead to increased private enterprise, while at the same time strengthening the nations economic stability. One of AID's approaches for promoting economic development is to assist the building of private enterprise in developing countries by using the resources available from the Bureau for Private Enterprise. The bureau helps AID missions in more than 70 countries address the needs of developing nations in building up their private sectors. It does this by encouraging overall policy reform, by promoting the divestiture of publicly held companies, and by training nationals of developing countries in skills related to the business sector. A revolving fund managed by AID, is responsible for making loans to either private businesses or financial intermediaries in developing countries.

Overseas Private Investment Corporation [OPIC].—OPIC is also a development agency. It promotes investments in projects in developing countries which are either partially or wholly owned by U.S. companies. OPIC promotes investments through direct loans, loan guarantees, or by providing political risk insurance for U.S. investors. OPIC complements the work of AID, TDP, and Exim in several ways. For example, OPIC has a specialized program to provide insurance to U.S. exporters who are bidding on projects. In so doing, OPIC will insure the bond which is put up during the bid to ensure against the arbitrary drawing down of the bond by an agency in a developing country. OPIC has also helped augment Exim financing through their loan guarantee program. In this regard, OPIC teamed up with both Exim, the International Finance Corporation, and AT&T recently in a successful bid by AT&T to finance the laying of a major undersea cable between Guam and the

Philippines. In certain cases where Exim may not be able to operate in a country, OPIC has been able to step in and play a role necessary to help capture a major project for U.S. firms. OPIC has complemented the work of AID by working closely with the AID revolving funds. For example, OPIC and AID have teamed up on a major fish processing plant in Mauritius by each providing a loan to a joint venture company formed by United States and local investors. AID provided a loan to a local company in Mauritius and OPIC provided a loan to the United States company which was also investing in the development project. A distinct feature of OPIC is that it is a self-sustaining (nonappropriated) U.S. Government agency.

Trade and Development Program.—The Trade and Development Program [TDP] complements the work of AID, OPIC, and Exim by helping not only to foster economic development but also to open up export markets for U.S. firms. In this regard TDP is the principal source of bilateral foreign assistance funds which are used to help U.S. exporters capture major markets overseas. TDP achieves its objective by financing the planning of large-scale projects, such as hydropower projects which would have a high likelihood of using U.S. goods and services in the design, construction, and overall management of the project itself if U.S. firms are involved in the early planning stages. TDP attempts to select projects which will be financed by either the private sector, the international development banks, or such U.S. Government agencies as Exim, AID, or OPIC. For example, TDP is presently financing the planning of a number of major projects in Thailand and Indonesia which stand a strong chance of being candidates for project finance provided through the Exim Bank. TDP also is encouraged by the Congress to operate in certain sectors where AID does not normally operate, such as the mining sector, where TDP has a major program targeted on helping developing nations identify deposits of strategic metals and minerals.

Export-Import Bank.—The Export-Import Bank is a trade financing agency. Exim provides loans and guarantees to developing and industrialized countries alike; in developing countries it often finances projects which would not meet AID's basic human needs mandate. Exim can, and does, however, work in a complementary fashion with AID, OPIC, and TDP. Exim can jointly finance projects on a mixed credit basis with AID, can combine OPIC insurance and guarantee mechanisms with Exim financing, and can finance projects either jointly with TDP by using the Engineering Multiplier Program or as a follow-on to TDP-financed studies. In addition, AID's Trade Credit Insurance Program [TCIP] complements Exim's bank-to-bank program wherein the TCIP can guarantee Exim against loss in certain Central American countries. In so doing, the TCIP has enabled Exim to increase its flow of short-term credit to Central America.

EXPORT-IMPORT BANK

Fiscal year 1988 appropriation:	
Limitation on direct loans	($690,000,000)
Limitation on guarantee commitments	(10,000,000,000)
Limitation on administrative expenses	(19,500,000)
Total	(10,709,500,000)
Fiscal year 1989 budget request:	
Limitation on direct loans	(705,000,000)
Limitation on guarantee commitments	(10,200,000,000)
Limitation on administrative expenses	(21,800,000)
Total	(10,926,800,000)
Fiscal year 1989 House allowance:	
Limitation on direct loans	(690,000,000)
Limitation on guarantee commitments	(10,200,000,000)
Limitation on administrative expenses	(19,890,000)
Total	(10,909,890,000)
Fiscal year 1989 Committee recommendation:	
Limitation on direct loans	(705,000,000)
Limitation on guarantee commitments	(10,200,000,000)
Limitation on administrative expenses	(21,800,000)
Total	(10,926,800,000)

The continuing string of record trade deficits is raising concern about the future of our national economy. With one out of every six manufacturing jobs and 1 out of every 4 farm acres planted in the United States dependent on exports, it is critical that we have free and fair trade in both existing and developing markets. It is the nature of the large and dynamic U.S. economy that it is more sensitive to changes in international trade than most. An inability to export not only limits economic growth, but also limits the ability of the United States to strengthen the course of democracy worldwide.

Much of our trade imbalance has been due to macroeconomic factors. The result has been to pressure governments to protect their domestic markets and to intervene in external market transactions, thereby exacerbating the situation. There has been difficulty in both initiating and concluding trade negotiations. Also, the number of unfair trading cases against subsidization, dumping, and nontariff barriers has grown dramatically.

The need for a strong Export-Import Bank is clear. The Committee wants to ensure that the Bank's practices can compete in the current trade environment. Given resource constraints, greater flexibility, and

speed are called for in offering terms for financing. Foreign protectionist and market distorting actions need to be preempted before further damage to U.S. exports is done and the benefits of economic recovery in the rest of the world are forever lost.

It is hoped that the growing use of foreign government financing and mixed credits can be eliminated through negotiations. There have been promising results in some limited areas such as aircraft and nuclear power. In the meantime, the battle against these practices must be waged vigorously in order to send the necessary messages to our trade competitors.

The Committee recommends a direct loan program under the Export-Import Bank of $705,000,000. As well, the Committee recommends a total budget request for the guarantee program of $10,200,000,000.

TRADE AND DEVELOPMENT PROGRAM

Appropriation, 1988	$25,000,000
Budget request, 1989	20,400,000
House allowance	25,000,000
Committee recommendation	25,000,000

The basic trust of the Trade and Development Program [TDP] is to involve U.S. private sector firms in the early planning stages of programs and projects in order to improve their position as potential participants and suppliers in overseas development projects. The administration's proposed program for fiscal year 1989 will concentrate on agribusiness, telecommunications, and hazardous waste management projects. In addition, emphasis will be placed on projects in countries that historically do not receive U.S. development assistance, but are significant opportunities to foster trade, investment, and development such as Turkey, India, and China.

The Trade and Development Program has been highly successful in getting U.S. businesses involved in development projects and programs in Third World countries. Therefore, to show its support of this program, the Committee has recommended the appropriation of $25,000,000 for the TDP in fiscal year 1989. The Committee reaffirms its support for the Trade and Development Program, and encourages TDP to continue its entrepreneurial and innovative approach to support U.S. exports for high priority development projects in developing and middle-income countries.

In addition, the Committee has again recommended bill language providing that up to $5,000,000 of the TDP funds may be used for joint financing with individual State trade promotion organizations of activities directed at the expansion of trade with developing countries. The Committee is pleased with the way TDP has implemented this program in fiscal year 1988 and encourages TDP to continue these trade promotion activities. The Committee believes that there is significant potential for TDP to help generate exports by working with States. Using TDP funds alone or in combination with State and local funds, TDP can register success by tailoring some of its project planning activities, training, and reverse trade missions to the special needs of the States.

TRADE CREDIT INSURANCE PROGRAM

Appropriation, 1988	($200,000,000)
Budget request, 1989	(200,000,000)
House allowance	(200,000,000)
Committee recommendation	(200,000,000)

The Trade Credit Insurance Program [TCIP] is one of several programs designed to reactivate the private sector in Central America. It provides guarantees to U.S. banks which agree to finance the export of goods and services for the United States for the use of the private sector in Central America. The TCIP, although an AID program, is managed in Washington by the Export-Import Bank. The aim of the TCIP program is to induce U.S. banks to return to their previous role of trade financing in that region.

GENERAL PROVISIONS

The following explains changes the Committee is recommending to general provisions contained in previous law, as well as new provisions recommended by the Committee:

SEC. 515.—The bill modifies the current section 515 by changing the date contained therein and placing a $4,000,000 ceiling on the use of deobligation-reobligation authority for previously deobligated Development Assistance funds.

SEC. 533.—This section is a modification of the current section 535 to make the requirements of this section applicable to the current fiscal year.

SEC. 535.—This section prescribes certain environmental responsibilities on the Multilateral Development Banks and AID which are more fully discussed earlier in this report.

SEC. 543.—This section is a modification of the current section 546 to eliminate Ecuador from the list of those countries for which reprogramming notifications must be submitted before any funds can be obligated, and by adding Gabon and Somalia to the list.

SEC. 545.—This section is a modification of the current section 548 to raise the amount of funds that may be used for the purposes of the section to $6,000,000, and to add AIDS programs to the list of activities in which detailed personnel may be involved.

SEC. 550.—This section is a modification of the current section 554 to include Iran on the list of countries for which indirect assistance is prohibited absent a determination by the President.

SEC. 551.—This section is a modification of the current section 555 to vest all responsibility for certification regarding assistance to Liberia in the Secretary of State, and to add to the items that need to be certified that Liberia is making significant progress in satisfying its undisputed debts to United States citizens.

SEC. 552.—This section is a modification of the current section 556 to amend the date for the exercise of this authority.

SEC. 554.—This section is a modification of the current section 559 to require the Department of Defense to notify the Committees on Appropriations of the original cost of all excess military equipment it proposes to transfer.

SEC. 555.—This section is a modification of the current section 560 to permit, except where otherwise specifically required in the bill, the obligation and expenditure of funds appropriated in the bill notwithstanding the absence of an enacted authorization for the appropriation of those funds.

SEC. 556.—This section is a modification of the current section 561 to amend the dates on which certain reports are required to be submitted.

SEC. 558.—This section is a modification of the current section 564 to delete the earmark for Arab-Israeli Peace Scholarships for ESF funds appropriated by this bill and by the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1988.

SEC. 559.—This section is a modification of the current section 565 to earmark $5,000,000 for ESF assistance for Lebanon through indigenous nongovernmental organizations and international organizations.

SEC. 561.—This section is a modification of the current section 567 to add countries for which repayment was forgiven, in whole or in part, of FMS credits in fiscal year 1988 to those countries for which funds may be used to facilitate the sale of certain antitank shells.

SEC. 562.—This section is a modification of the current section 568 to permit the President to not use earmarked funds for the purpose for which they were earmarked if he determines that the intended recipient of those funds has significantly reduced its military or economic cooperation with the United States since enactment of the fiscal year 1988 Foreign Assistance Appropriations Act.

SEC. 563.—This section is a modification of the current section 569 to allow assistance under the National Endowment for Democracy Act, the Overseas Private Investment Corporation, and the Peace Corps to be provided to Haiti. The authority for OPIC and the Peace Corps to operate in Haiti is available upon enactment of the Act.

SEC. 566.—This section is a modification of the current section 573 to extend its provisions through fiscal year 1989 and to require that before issuing any letter of offer to sell any defense articles or services to Qatar, that government must return all illegally purchased or acquired Stinger missiles.

SEC. 572.—This is a new provision which allows the President to implement the provisions of section 124 of the Foreign Assistance Act of 1961 during fiscal years 1990 and 1991, notwithstanding that section's requirement that the authority be limited to relatively least developed countries.

SEC. 575.—This is a new provision which provides that $10,000,000 of FMS funds will be returned to the Treasury in the event that the fiscal year 1990 Congressional Presentation for Security Assistance is not received by the Congress by March 1, 1989.

SEC. 577.—This is a new provision which permits the Congress to prevent third-party arms transfers (including commercial sales) by passing a joint resolution of disapproval.

SEC. 578.—This provision incorporates provisions contained separately in prior appropriations Acts (currently sections 526 and 534), makes technical corrections to current law, and initiates a program of incentives for narcotics producing countries. The section is more fully discussed earlier in this report.

SEC. 579.—This section restates current law (section 562) regarding Turkish and Greek military forces on Cyprus.

SEC. 580.—This section is a modification of the current section 572 to permit commercial leasing of defense articles by Israel and Egypt and by NATO and major non-NATO allies without exception, if the President makes a national interest or foreign policy determination.

SEC. 581.—This section restates in slightly different form but with no change in substance, the current section 540.

SEC. 582.—This is a new provision which contains findings concerning the U.N. Human Rights Commission and countries' voting records regarding an investigation of human rights abuses in Cuba.

The Committee is greatly concerned about human rights violations wherever they may occur, and strongly supports the efforts of the United States Government to bring the human rights situation in Cuba to the attention of the United Nations Human Rights Commission.

For the first time in nearly three decades, the United Nations has agreed to investigate the continuing reports of serious human rights violations in Cuba. With the strong support of the Congress, the United States succeeded in its efforts to bring the human rights situation in Cuba before the United Nations Human Rights Commission. At its 1989 session, the Commission is scheduled to consider a report on Cuba based on an onsite investigation to be conducted by a working group led by the UNHRC Chairman Alioune Sene in August or September of this year.

While the commission has embarked on a historic mission of great importance to the Cuban people and all those who are concerned about human rights, there are many challenges that lie ahead. The recent election of Cuba and Panama to the Commission seriously undermines the future of the Commission's work. It is inconceivable that a country currently under investigation, such as Cuba, should be elected to such a position on the Commission with voting privileges on related matters. The deplorable human rights records of both Cuba and Panama should have disqualified these countries.

The Committee expresses its strong support for Decision 1988/106, as interpreted by the Chairman, to ensure: the independence of the onsite investigation in August or September, the integrity of the report to be prepared next January after Cuba has joined the Commission, and the consideration of this report under agenda item 12(h) at the Commission's 45th session.

The protection and promotion of fundamental rights and freedoms is one of the principal aims of the United Nations. This is the time for each member state serving on the Commission to demonstrate its commitment to this endeavor, and with regard to which the Committee will carefully monitor the progress of Cuban human rights and the August report.

SEC. 585.—This is a new provision (similar to section 581 of the fiscal year 1988 foreign assistance appropriations act) which authorizes up to $500,000 of convertible and nonconvertible Polish currencies to be used for the Center on Jewish History and Culture in Krakow, Poland.

SEC. 586.—This is a new provision which requires that in all contracts entered into by AID (and subcontracts and solicitations entered into or made pursuant to AID contracts) that a clause is to be included to require that U.S. marine insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate.

SEC. 587.—This is a new provision which requires that the annual fiscal year 1989 pay raises be absorbed within the relevant accounts for which funds are appropriated in this Act.

SEC. 588.—This is a new provision which, among other things, allows prices for defense services purchased using nonrepayable credits to be based on the same criteria as such services purchased through the MAP program; provides that security assistance administrative funds be used to reimburse DOD for those expenses that DOD incurs because of the existence of the security assistance program; clarifies that the FMS administrative surcharge is to be calculated on a basis sufficient to cover the full estimated costs of administration of foreign military sales to the extent required by sections 43(b) and 43(c) of the Arms Export Control Act; and waives certain charges for contract administration services performed by DOD. The section will be effective on October 1, 1989.

SEC. 589.—This is a new provision which expresses the sense of the Congress that funds made available to the International Fund for Ireland should be allocated to programs which emphasize jobs creation in areas which have the highest rates of unemployment.

SEC. 590.—This is a new provision which amends the Arms Export Control Act to allow countries, which obtain through the FMS system major defense equipment from U.S. Department of Defense stocks, to pay for replacement items over the life of the contract for the replacement rather than pay, as is currently the case, the entire cost of the contract at the time the order is placed.

SEC. 591.—This is a new provision which amends the Arms Export Control Act to require that the Congress be notified of any letter of offer to sell any missiles, rockets, or associated launchers or artillery projectiles. The amendment is intended to apply current sales notification requirements to all such sales irrespective of their dollar value.

COMPLIANCE WITH PARAGRAPH 7, RULE XVI OF THE STANDING RULES OF THE SENATE

Rule XVI, paragraph 7 requires that every report on a general appropriation bill filed by the Committee must identify each recommended amendment which proposes an item of appropriation which is not made to carry out the provisions of an existing law, a treaty stipulation, or an act or resolution previously passed by the Senate during that session.

This report accompanies a bill which has its origin in the Senate and, therefore, the Committee does not believe that rule XVI, paragraph 7 applies in this case. However, if it did, several items provide funding which are either over Senate-passed authorization or lack authorization altogether. Those items are as follows:

International Bank for Reconstruction and Development	$70,915,283
African Development Fund	105,000,000
International Finance Corporation	13,209,000
International Organizations and Programs	225,719,666
The functional development assistance accounts of the Agency for International Development	1,211,526,000
Sub-Saharan Africa, development assistance	500,000,000
Southern Africa, development assistance	50,000,000
American Schools and Hospitals Abroad	40,000,000
International Disaster Assistance	25,000,000
Operating expenses of the Agency for International Development	414,000,000
Operating expenses of the Agency for International Development, Office of the Inspector General	30,143,000
Economic Support Fund	3,268,500,000
African Development Foundation	8,500,000
Inter-American Foundation	16,600,000
Peace Corps	157,000,000
International narcotics control	101,000,000
Migration and refugee assistance	361,950,000
Emergency refugee migration assistance	50,000,000
Anti-terrorism assistance	9,840,000
International military education and training	47,400,000
Foreign military credit sales	4,779,260,000
Guaranty Reserve Fund	(939,500,000)
Peacekeeping operations	31,689,000
Trade and Development Program	25,000,000
Trade Credit Insurance Program	(200,000,000)

COMPLIANCE WITH PARAGRAPH 12, RULE XXVI OF THE STANDING RULES OF THE SENATE

Paragraph 12 of rule XXVI requires that Committee report on a bill or joint resolution repealing or amending any statute or part of any statute include "(a) the text of the statute or part thereof which is proposed to be repealed; and (b) a comparative print of that part of the bill or joint resolution making the amendment and of the statute or part thereof proposed to be amended, showing by stricken-through type and italics, parallel columns, or other appropriate typographical devices the omissions and insertions which would be made by the bill or joint resolution if enacted in the form recommended by the committee."

In compliance with this rule, the following changes in existing law proposed to be made by the bill are shown as follows: existing law to be omitted is enclosed in black brackets; new matter is printed in italic; and existing law in which no change is proposed is shown in roman.

AFRICAN DEVELOPMENT FOUNDATION [ADF]

The accompanying bill would amend section 505 of the International Security and Development Cooperation Act of 1980 to clarify that the ADF has authority to provide grants to loans to public international organizations:

> Sec. 505. (a)(1) In order to carryout the purposes set forth in section 504, the Foundation may make grants, loans, and loan guarantees to any African private or public group *(including*

public international organizations), association, or other entity engaged in peaceful activities for—

(A) the fostering of local development institutions and the support of development efforts initiated by communities themselves;

(B) the development of self-evaluation techniques by participants in projects supported under this section, for the purpose of transferring experience gained in such projects to similar development activities;

(C) development research by Africans and the transfer of development resources, expertise, and knowledge within Africa;

(D) the procurement of such technical or other assistance as is deemed appropriate by the recipient of such grant, loan, or guarantee, to carryout the purposes of this title; and

(E) other projects that would carry out the purposes set forth in section 504.

THIRD PARTY TRANSFER

The accompanying bill would amend section 3(d) of the Arms Export Control Act to require a joint resolution disapproving a proposed transfer under this section, as follows:

(2)(A) Except as provided in subparagraph (B), unless the President states in the certification submitted pursuant to paragraph (1) of this subsection that an emergency exists which requires that consent to the proposed transfer become effective immediately in the national security interests of the United States, such consent shall not become effective until 30 calendar days after the date of such submission and such consent shall become effective then only if the Congress does not enact, within such 30-day period, a [law] *joint resolution, as provided for in sections 36(b)(2) and 36(b)(3) of this Act prohibiting the proposed transfer.*

* * * * * * *

(3) The President may not give his consent to the transfer of any major defense equipment valued (in terms of its original acquisition cost) at $14,000,000 or more, or of any defense article or defense service valued (in terms of its original acquisition cost) at $50,000,000 or more, the export of which has been licensed or approved under section 38 of this Act, unless at least 30 calendar days before giving such consent the President submits to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate a report containing the information specified in subparagraphs (A) through (E) of paragraph (1). *Such consent shall become effective then only if the Congress does not enact,*

within the 30-day period after the President has given such consent, a joint resolution, as provided for in section 36(c)(2) and 36(c)(3) of this Act prohibiting the proposed transfer.

RECIPROCAL LEASING

The accompanying bill would amend section 61(a) of the Arms Export Control Act to extend the leasing authority of that section through fiscal year 1989, as follows:

SEC. 61. LEASING AUTHORITY.—(a) The President may lease defense articles in the stocks of the Department of Defense to an eligible foreign country or international organization if—

(1) he determines that there are compelling foreign policy and national security reasons for providing such articles on a lease basis rather than on a sales basis under this Act;

(2) he determines that the articles are not for the time needed for public use; and

(3) the country or international organization has agreed to pay in United States dollars all costs incurred by the United States Government in leasing such articles, including reimbursement for depreciation of such articles while leased, the costs of restoration or replacement if the articles are damaged while leased, and the replacement cost (less any depreciation in the value) if the articles are lost or destroyed while leased.

The requirement of paragraph (3) shall not apply to leases entered into for purposes of cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three-quarters of its normal service life.

The President may waive the requirement of paragraph (3) with respect to a lease which is made in exchange with the lessee for a lease on substantially reciprocal terms of defense articles for the Department of Defense, except that this waiver authority—

(A) may be exercised only if the President submits to the Committee on Foreign Affairs and the Committee on Appropriations of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate, in accordance with the regular notification procedures of those Committees, a detailed notification for each lease with respect to which the authority is exercised; and

(B) may be exercised only during the fiscal year [1988] *1989* and only with respect to one country, unless the Congress hereafter provides otherwise.

NARCOTICS EDUCATION PROGRAMS

The accompanying bill would amend section 481(i)(4)(E) of the Foreign Assistance Act of 1961 to permit continuation of certain narcotics awareness programs, as follows:

(E) financing under the Export-Import Bank Act of 1945; except that the term "United States assistance" does not include (i) international narcotics control assistance under this chapter, (ii) disaster relief assistance (including any assistance under chapter 9 of this part), (iii) assistance which involves the provision of food or medicine, (iv) assistance for refugees, (v) assistance under the Inter-American Foundation Act, (vi) assistance from the Child Survival Fund under section 1049(c)(2) of this Act, *(vii) assistance for narcotics education and awareness activities under section 126 of this Act;* or **[**(vii)**]** *(viii)* activities authorized pursuant to the National Security Act of 1947 (50 U.S.C. 410 et seq.), the Central Intelligence Agency Act of 1949 (50 U.S.C. 403a et seq.), or Executive Order Number 12333 (December 4, 1981); and

BILATERAL NARCOTICS AGREEMENTS

The accompanying bill would amend section 481(h)(2)(A)(ii) of the Foreign Assistance Act of 1961 to define what constitutes a bilateral narcotics control agreement, as follows:

[(ii) A bilateral narcotics agreement referred to in clause (i)(I) is an agreement between the United States and a foreign country whereby the foreign country agrees to take specific activities including but not limited to, efforts to reduce drug production, drug consumption, and drug trafficking within its territory, including activities to address illicit crop eradication and crop substitution; drug interdiction and enforcement; drug consumption and treatment; identification of and elimination of illicit drug laboratories; identification and elimination of the trafficking of precursor chemicals for the use in production of illegal drugs; cooperation with United States drug enforcement officials; and, where applicable, participation in extradition treaties, mutual legal assistance provisions directed at money laundering, sharing of evidence, and other initiatives for cooperative drug enforcement.**]**

(ii) A bilateral narcotics agreement referred to in clause (i)(I) is an agreement between the United States and a foreign country whereby the foreign country agrees to undertake specific activities including, where applicable, efforts to reduce drug production, drug consumption, and drug trafficking within its territory, including activities to address illicit crop eradication and crop substitution; drug interdiction and enforcement; drug consumption and treatment; identification of and elimination of illicit drug laboratories; identification and elimination of the

trafficking of precursor chemicals for the use in production of illegal drugs; cooperation with United States drug enforcement officials; and, where applicable, participation in extradition treaties, mutual legal assistance provisions directed at money laundering, sharing of evidence, and other initiatives for cooperative drug enforcement.

NARCOTICS REPORTS

The accompanying bill would amend section 481(h)(1) of the Foreign Assistance Act of 1961 to require an annual report listing major drug producing and major drug transit countries, as follows:

(h)(1) *Not later than October 1 of each year, the Secretary of State shall submit a report to the Congress of those countries identified by the Secretary as being major drug producing or major drug transit countries (including the definition used to determine such drug transit countries) for purposes of the withholding requirements contained in subparagraph (A) of this paragraph and the certification requirements contained in paragraph (2) of this subsection.* Subject to paragraph (2), for every major illicit drug producing country or major drug-transit country—

(A) 50 percent of United States assistance allocated for such country notified to Congress in the report required under section 653(a) of this Act shall be withheld from obligation and expenditure; and

(B) on or after March 1, 1987, and on March 1 of each succeeding year, the Secretary of the Treasury shall instruct the United States Executive Director of the International Bank for Reconstruction and Development, the United States Executive Director of the International Development Association, the United States Executive Director of the Inter-American Development Bank, and the United States Executive Director of the Asian Development Bank to vote against any loan or other utilization of the funds of their respective institution to or for such country.

NARCOTICS AGREEMENTS

The accompanying bill would amend section 481(h)(2)(A)(i)(I) of the Foreign Assistance Act of 1961 to include reference to satisfying the goals of certain multilateral narcotics agreements, as follows:

(I) during the previous year the country has cooperated fully with the United States, or has taken adequate steps on its own, in satisfying the goals agreed to in an applicable bilateral narcotics agreement with the United States, as described in (ii) *or in a multilateral agreement which achieves the objectives of this subsection,* and in preventing narcotic and psychotropic drugs

and other controlled substances produced or processed, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from being transported, directly or indirectly, into the United States and in preventing and punishing the laundering in that country of drug-related profits or drug-related monies; or

TECHNICAL AMENDMENT

The accompanying bill would amend section 481(h)(2)(B) of the Foreign Assistance Act of 1961 to make a technical correction, as follows:

(B) If the President makes a certification pursuant to [clause (A)(ii)] *subparagraph (A)(i)(II)*, he shall include in such certification—

(i) a full and complete description of the vital national interests placed at risk should assistance or financing not be provided such country; and

(ii) a statement weighing the risk described in subclause (i) against the risks posed to the vital national interests of the United States by the failure of such country to cooperate fully with the United States in combating narcotics or to take adequate steps to combat narcotics on its own.

SALES FROM STOCKS

The accompanying bill would amend section 21 of the Arms Export Control Act by adding a new subsection providing the President with authority to contract for the procurement or replacement of major defense equipment, as follows:

Sec. 21. Sales From Stocks.—(a)(1) The President may sell defense articles and defense services from the stocks of the Department of Defense to any eligible country or international organization if such country or international organization agrees to pay in United States dollars—

* * * * * * *

(j)(1) In the case of a sale under subsection (a)(1)(B) of this section, the President may contract for the procurement of replacement major defense equipment if the eligible country or international organization provides the United States Government with a dependable undertaking as described in section 22(a) of this Act.

(2) The authority contained in paragraph (1) applies only to such extent or in such amounts as are provided in advance in appropriations Acts.

(3) The payment for the replacement in kind of stock must be made by the foreign country no later than 5 years from the date of purchase.

NOTICE TO CONGRESS REGARDING POSSIBLE MISSILE SALES

The accompanying bill would amend section 28 of the Arms Export Control Act to require the President to provide price and availability reports to Congress on the possible sale of major defense articles or services, as follows:

Sec. 28. Reports on Price and Availability Estimates.—(a) The President shall transmit to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate, within fifteen days after the end of each calendar quarter, a report listing each price and availability estimate provided by the United States Government during such quarter to a foreign country with respect to a possible sale under this Act of major defense equipment for $7,000,000 or more [or] , of any other defense articles or defense services for $25,000,000 or more, *or of any missiles, rockets, or associated launchers or any artillery projectiles (without regard to the amount of the possible sale).* Each such listing shall specify the name of the country to which the estimate was provided, the defense articles or services involved, the quantity involved, and the price estimate provided.

(b) Such reports shall also list each request received by the United States Government from a foreign country, during the quarter in question, for the issuance of a letter of offer to sell defense articles or defense services if (1) the proposed sale has not been the subject of a listing pursuant to subsection (a) of this section, and (2) the request involves a proposed sale of major defense equipment for $7,000,000 or more [or] , of any other defense articles or defense services for $25,000,000 or more, *or of any missiles, rockets, or associated launchers or any artillery projectiles (without regard to the amount of the proposed sale).* Each such listing shall include the name of the country making the request, the date of the request, the defense articles or services involved, the quantity involved, and the price and availability terms requested.

BUDGETARY IMPACT OF BILL

PREPARED BY THE CONGRESSIONAL BUDGET OFFICE PURSUANT TO SEC. 308(a), PUBLIC LAW 93-344, AS AMENDED

[In millions of dollars]

	Budget authority		Outlays	
	Committee allocation	Amount in bill	Committee allocation	Amount in bill
Comparison of amounts in the bill with the Committee allocation to its subcommittees of amounts in the First Concurrent Resolution for 1989: Subcommittee on Foreign Assistance and Related Agencies	14.31	14,310	12.21	[1] 12,226
Projections of outlays associated with budget authority recommended in the bill:				
1989				[2] 5,186
1990				3,867
1991				1,356
1992				1,039
1993 and future year				522
Financial assistance to State and local governments for 1989 in the bill				
	Direct loans		Loan guarantees	
Credit authority estimates, fiscal year 1989	4,772	5,519	9,500	9,525

[1] Includes outlays from prior-year budget authority.
[2] Excludes outlays from prior-year budget authority.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989

[Amounts in dollars]

Item	1988 appropriation	Budget estimate	House allowance	Committee recommendation	Senate committee recommendation compared with (+ or -)		
					1988 appropriation	Budget estimate	House allowance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE							
FUNDS APPROPRIATED TO THE PRESIDENT							
International Financial Institutions							
World Bank Group							
Contribution to the International Bank for Reconstruction and Development:							
Paid-in capital	40,176,393	70,915,283	---	70,915,283	+30,738,890	---	+70,915,283
Limitation on callable capital subscriptions	(437,320,185)	(2,292,927,540)	---	(2,292,927,540)	(+1,855,607,355)	---	(+2,292,927,540)
Total, contribution to the International Bank for Reconstruction and Development	(477,496,578)	(2,363,842,823)	---	(2,363,842,823)	(+1,886,346,245)	---	(+2,363,842,823)
Budget authority	40,176,393	70,915,283	---	70,915,283	+30,738,890	---	+70,915,283
Limitation on callable capital	(437,320,185)	(2,292,927,540)	---	(2,292,927,540)	(+1,855,607,355)	---	(+2,292,927,540)
Contribution to the International Development Association	915,000,000	958,333,333	995,000,000	931,176,717	+16,176,717	-27,156,616	-63,823,283
Contribution to the International Finance Corporation	20,300,000	35,032,000	20,300,000	13,209,000	-7,091,000	-21,823,000	-7,091,000
Contribution to Multilateral Investment Guarantee Agency:							
Paid-in capital	44,403,116	---	---	---	-44,403,116	---	---

Limitation on callable capital.....	(177,612,464)	---	---	---	(-177,612,464)	---	---
Total, contributions World Bank Group.....	(1,634,812,158)	(3,357,208,156)	(1,015,300,000)	(3,308,228,540)	(+1,673,416,382)	(-48,979,616)	(+2,292,928,540)
Budget authority.....	1,019,879,509	1,064,280,616	1,015,300,000	1,015,301,000	-4,578,509	-48,979,616	+1,000
Limitation on callable capital.....	(614,932,649)	(2,292,927,540)	---	(2,292,927,540)	(+1,677,994,891)	---	(+2,292,927,540)
Contribution to the Inter-American Development Bank:							
Fund for special operations.....	25,732,371	---	---	---	-25,732,371	---	---
Inter-regional paid-in capital.....	31,600,000	---	---	---	-31,600,000	---	---
Inter-American Investment Corporation.....	1,303,000	---	---	---	-1,303,000	---	---
Limitation on callable capital subscriptions.....	(119,403,576)	---	---	---	(-119,403,576)	---	---
Total, contribution to the Inter-American Development Bank.....	(178,038,947)	---	---	---	(-178,038,947)	---	---
Budget authority.....	58,635,371	---	---	---	-58,635,371	---	---
Limitation on callable capital.....	(119,403,576)	---	---	---	(-119,403,576)	---	---
Contribution to the Asian Development Bank:							
Paid-in capital.....	15,057,220	---	---	---	-15,057,220	---	---
Development fund.....	28,000,000	146,070,000	232,832,609	146,070,000	+118,070,000	---	-86,762,609
Limitation on callable capital subscriptions.....	(276,503,941)	---	---	---	(-276,503,941)	---	---
Total, contribution to the Asian Development Bank.....	(319,561,161)	(146,070,000)	(232,832,609)	(146,070,000)	(-173,491,161)	---	(-86,762,609)
Budget authority.....	43,057,220	146,070,000	232,832,609	146,070,000	+103,012,780	---	-86,762,609
Limitation on callable capital.....	(276,503,941)	---	---	---	(-276,503,941)	---	---
Contribution to the African Development Fund.....	75,000,000	105,000,000	105,000,000	105,000,000	+30,000,000	---	---
Contribution to the African Development Bank:							
Paid-in capital.....	8,999,371	8,999,371	8,999,371	8,999,371	---	---	---
Limitation on callable capital.....	(134,918,184)	(135,062,946)	(135,062,946)	(135,062,946)	(+144,762)	---	---
Total, contributions to the African Development Bank.....	(143,917,555)	(144,062,317)	(144,062,317)	(144,062,317)	(+144,762)	---	---
Budget authority.....	8,999,371	8,999,371	8,999,371	8,999,371	---	---	---

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued

[Amounts in dollars]

Item	1988 appropriation	Budget estimate	House allowance	Committee recommendation	Senate committee recommendation compared with (+ or -)		
					1988 appropriation	Budget estimate	House allowance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Callable capital	(134,918,184)	(135,062,946)	(135,062,946)	(135,062,946)	(+144,762)	---	---
Total, contribution to International Financial Institutions	(2,351,329,821)	(3,752,340,473)	(1,497,194,926)	(3,703,360,857)	(+1,352,031,036)	(-48,979,616)	(+2,206,165,931)
Budget authority	1,205,571,471	1,324,349,987	1,362,131,980	1,275,370,371	+69,798,900	-48,979,616	-86,761,609
Limitation on callable capital	(1,145,758,350)	(2,427,990,486)	(135,062,946)	(2,427,990,486)	(+1,282,232,136)	---	(+2,292,927,540)
Department of State							
International organizations and programs	244,648,000	200,000,000	214,958,666	218,219,666	-26,428,334	+18,219,666	+3,261,000
Total, title I, contribution for Multilateral Economic Assistance	(2,595,977,821)	(3,952,340,473)	(1,712,153,592)	(3,921,580,523)	(+1,325,602,702)	(-30,759,950)	(+2,209,426,931)
Budget authority	1,450,219,471	1,524,349,987	1,577,090,646	1,493,590,037	+43,370,566	-30,759,950	-83,500,609
Limitation on callable capital	(1,145,758,350)	(2,427,990,486)	(135,062,946)	(2,427,990,486)	(+1,282,232,136)	---	(+2,292,927,540)
TITLE II - BILATERAL ECONOMIC ASSISTANCE							
FUNDS APPROPRIATED TO THE PRESIDENT							
Agency for International Development							
Agriculture, rural development, and nutrition, Development Assistance	488,715,000	461,062,000	488,715,000	493,715,000	+5,000,000	+32,653,000	+5,000,000
Population, Development Assistance	197,940,000	190,440,000	197,940,000	197,940,000	---	+7,500,000	---
Health, Development Assistance	119,000,000	114,000,000	119,000,000	122,459,000	+3,459,000	+8,459,000	+3,459,000

International AIDS prevention and control program.....	30,000,000	30,000,000	35,000,000	40,000,000	+10,000,000	+10,000,000	+5,000,000
Child Survival Fund.....	66,000,000	66,000,000	71,000,000	71,000,000	+5,000,000	+5,000,000	---
Education and human resources development, Development Assistance.....	117,000,000	129,541,000	117,000,000	134,541,000	+17,541,000	+5,000,000	+17,541,000
Private sector, environmental, and energy, Development Assistance.....	120,709,000	127,795,000	120,709,000	120,709,000	---	-7,086,000	---
Science and technology, Development Assistance.....	8,662,270	8,662,000	8,662,270	8,662,270	---	+270	---
Private sector revolving fund:							
(By transfer).....	(9,000,000)	(8,500,000)	(9,000,000)	(9,000,000)	---	(+500,000)	---
(Limitation on direct loans).....	(12,000,000)	(5,000,000)	(12,000,000)	(12,000,000)	---	(+7,000,000)	---
(Limitation on guaranteed loans).....	---	(100,000,000)	(25,000,000)	(50,000,000)	(+50,000,000)	(-50,000,000)	(+25,000,000)
Reappropriation (deobligation/reobligation) authority.	12,500,000	12,500,000	12,500,000	4,000,000	-8,500,000	-8,500,000	-8,500,000
Subtotal, development assistance.....	1,160,526,270	1,140,000,000	1,170,526,270	1,193,026,270	+32,500,000	+53,026,270	+22,500,000
Sub-Saharan Africa, Development Assistance.....	500,000,000	510,000,000	500,000,000	500,000,000	---	-10,000,000	---
Southern Africa Development Assistance.....	50,000,000	---	50,000,000	50,000,000	---	+50,000,000	---
Total, development assistance.....	1,710,526,270	1,650,000,000	1,720,526,270	1,743,026,270	+32,500,000	+93,026,270	+22,500,000
American schools and hospitals abroad.....	40,000,000	30,000,000	30,000,000	40,000,000	---	+10,000,000	+10,000,000
International disaster assistance.....	25,000,000	25,000,000	25,000,000	25,000,000	---	---	---
Payment to the Foreign Service Retirement and Disability Fund.....	35,132,000	40,532,000	40,532,000	40,532,000	+5,400,000	---	---
Operating expenses of the Agency for International Development.....	406,000,000	414,000,000	414,000,000	414,000,000	+8,000,000	---	---
Operating expenses of the Agency for International Development Office of the Inspector General.....	23,970,000	23,119,000	23,970,000	30,143,000	+6,173,000	+7,024,000	+6,173,000
Housing and other credit guaranty programs:							
(Limitation on guaranteed loans).....	(125,000,000)	(100,000,000)	(125,000,000)	(125,000,000)	---	(+25,000,000)	---
Guarantee reserve, indefinite borrowing authority.	22,000,000	22,000,000	22,000,000	10,000,000	-12,000,000	-12,000,000	-12,000,000
Subtotal, Agency for International Development..	2,262,628,270	2,204,651,000	2,276,028,270	2,302,701,270	+40,073,000	+98,050,270	+26,673,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued

[Amounts in dollars]

Item	1988 appropriation	Budget estimate	House allowance	Committee recommendation	Senate committee recommendation compared with (+ or -)		
					1988 appropriation	Budget estimate	House allowance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Economic support fund	3,188,320,000	3,268,500,000	3,248,500,000	3,268,500,000	+80,180,000	---	+20,000,000
Reappropriation (deobligation/reobligation) authority	12,500,000	12,500,000	12,500,000	12,500,000	---	---	---
Total, Economic support fund	3,200,820,000	3,281,000,000	3,261,000,000	3,281,000,000	+80,180,000	---	+20,000,000
Total, Agency for International Development	5,463,448,270	5,485,651,000	5,537,028,270	5,583,701,270	+120,253,000	+98,050,270	+46,673,000
Independent Agencies							
African Development Foundation							
Appropriations	7,000,000	7,140,000	7,140,000	8,500,000	+1,500,000	+1,360,000	+1,360,000
Inter-American Foundation							
Appropriations	13,000,000	13,900,000	16,600,000	16,600,000	+3,600,000	+2,700,000	---
Overseas Private Investment Corporation							
(Limitation on direct loans)	(23,000,000)	(17,250,000)	(23,000,000)	(23,000,000)	---	(+5,750,000)	---
(Limitation on guaranteed loans)	(200,000,000)	(175,000,000)	(200,000,000)	(200,000,000)	---	(+25,000,000)	---
Total, Funds Appropriated to the President	5,483,448,270	5,506,691,000	5,560,768,270	5,608,801,270	+125,353,000	+102,110,270	+48,033,000

Peace Corps							
Appropriations	146,200,000	150,000,000	152,000,000	157,000,000	+10,800,000	+7,000,000	+5,000,000
Department of State							
International narcotics control	98,750,000	101,000,000	101,000,000	101,000,000	+2,250,000	---	---
Migration and refugee assistance	338,450,000	340,000,000	361,950,000	361,950,000	+23,500,000	+21,950,000	---
United States Emergency Refugee and Migration Assistance Fund	---	---	30,000,000	50,000,000	+50,000,000	+50,000,000	+20,000,000
Anti-terrorism assistance	9,840,000	9,840,000	9,840,000	9,840,000	---	---	---
Total, Department of State	447,040,000	450,840,000	502,790,000	522,790,000	+75,750,000	+71,950,000	+20,000,000
Total, title II, Economic assistance - bilateral:							
New budget (obligational) authority	6,076,688,270	6,107,531,000	6,215,558,270	6,288,591,270	+211,903,000	+181,060,270	+73,033,000
(Limitation on direct loans)	(35,000,000)	(22,250,000)	(35,000,000)	(35,000,000)	---	(+12,750,000)	---
(Limitation on guaranteed loans)	(325,000,000)	(375,000,000)	(350,000,000)	(375,000,000)	(+50,000,000)	---	(+25,000,000)
TITLE III - MILITARY ASSISTANCE							
FUNDS APPROPRIATED TO THE PRESIDENT							
Military Assistance	700,750,000	467,000,000	876,750,000	---	-700,750,000	-467,000,000	-876,750,000
International Military Education and Training	47,400,000	52,500,000	51,254,750	47,400,000	---	-5,100,000	-3,854,750
Foreign Military Credit Sales:							
Direct credits and forgiven loans	4,049,000,000	4,460,000,000	3,893,000,000	4,779,260,000	+730,260,000	+319,260,000	+886,260,000
Guarantee Reserve Fund 1/	532,000,000	939,500,000	939,500,000	939,500,000	+407,500,000	---	---
Special Defense Acquisition Fund (limitation on obligations)	(236,865,000)	(350,000,000)	(236,865,000)	(236,865,000)	---	(-113,135,000)	---
Peacekeeping operations	31,689,000	31,689,000	31,689,000	31,689,000	---	---	---
Total, title III, military assistance programs	5,360,839,000	5,950,689,000	5,792,193,750	5,797,849,000	+437,010,000	-152,840,000	+5,655,250
(Limitation on obligations)	(236,865,000)	(350,000,000)	(236,865,000)	(236,865,000)	---	(-113,135,000)	---

1/ OMB estimated FY89 at 643,196,000.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued

[Amounts in dollars]

Item	1988 appropriation	Budget estimate	House allowance	Committee recommendation	Senate committee recommendation compared with (+ or -)		
					1988 appropriation	Budget estimate	House allowance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TITLE IV - EXPORT ASSISTANCE							
EXPORT-IMPORT BANK OF THE UNITED STATES							
Limitation of Program Activity:							
New budget (obligational) authority	690,000,000	705,000,000	690,000,000	705,000,000	+15,000,000	---	+15,000,000
(Limitation on direct loans)	(690,000,000)	(705,000,000)	(690,000,000)	(705,000,000)	(+15,000,000)	---	(+15,000,000)
(Limitation on guaranteed loans)	(10,000,000,000)	(10,200,000,000)	(10,200,000,000)	(10,200,000,000)	(+200,000,000)	---	---
(Limitation on administrative expenses)	(19,500,000)	(21,800,000)	(19,890,000)	(21,800,000)	(+2,300,000)	---	(+1,910,000)
Total, Export-Import Bank of the United States:							
New budget (obligational) authority	690,000,000	705,000,000	690,000,000	705,000,000	+15,000,000	---	+15,000,000
(Limitation on use of corporate funds)	(11,399,500,000)	(11,631,800,000)	(11,599,890,000)	(11,631,800,000)	(+232,300,000)	---	(+31,910,000)
FUNDS APPROPRIATED TO THE PRESIDENT							
Trade and Development Program							
Trade and development	25,000,000	20,400,000	25,000,000	25,000,000	---	+4,600,000	---
Agency for International Development							
Trade credit insurance program (limitation on program activity)	(200,000,000)	(200,000,000)	(200,000,000)	(200,000,000)	---	---	---
Sugar Import Program (general provisions)	-12,000,000	---	---	---	+12,000,000	---	---

Total, title IV, export assistance:							
New budget (obligational) authority.....	703,000,000	725,400,000	715,000,000	730,000,000	+27,000,000	+4,600,000	+15,000,000
(Limitation on use of corporate funds).....	(11,412,500,000)	(11,652,200,000)	(11,624,890,000)	(11,656,800,000)	(+244,300,000)	(+4,600,000)	(+31,910,000)
Grand total, all titles:							
New budget (obligational) authority.....	13,590,746,741	14,307,969,987	14,299,842,666	14,310,030,307	+719,283,566	+2,060,320	+10,187,641
(Limitation on obligations).....	(236,865,000)	(350,000,000)	(236,865,000)	(236,865,000)	---	(-113,135,000)	---
(Limitation on guaranteed loans).....	(10,325,000,000)	(10,575,000,000)	(10,550,000,000)	(10,575,000,000)	(+250,000,000)	---	(+25,000,000)
(Limitation on direct loans).....	(725,000,000)	(727,250,000)	(725,000,000)	(740,000,000)	(+15,000,000)	(+12,750,000)	(+15,000,000)
(Limitation on callable capital).....	(1,145,758,350)	(2,427,990,486)	(135,062,946)	(2,427,990,486)	(+1,282,232,136)	---	(+2,292,927,540)
(Limitation on administrative expenses).....	(19,500,000)	(21,800,000)	(19,890,000)	(21,800,000)	(+2,300,000)	---	(+1,910,000)
(Limitation on program activity).....	(200,000,000)	(200,000,000)	(200,000,000)	(200,000,000)	---	---	---
RECAP							
Military Assistance Programs:							
Military Assistance.....	700,750,000	467,000,000	876,750,000	---	-700,750,000	-467,000,000	-876,750,000
International Military Education and Training.....	47,400,000	52,500,000	51,254,750	47,400,000	---	-5,100,000	-3,854,750
Foreign Military Credit Sales:							
Direct credits and forgiven loans.....	4,049,000,000	4,460,000,000	3,893,000,000	4,779,260,000	+730,260,000	+319,260,000	+886,260,000
Guarantee Reserve Fund.....	532,000,000	939,500,000	939,500,000	939,500,000	+407,500,000	---	---
Special Defense Acquisition Fund.....	---	---	---	---	---	---	---
Peacekeeping operations.....	31,689,000	31,689,000	31,689,000	31,689,000	---	---	---
Total, military assistance programs.....	5,360,839,000	5,950,689,000	5,792,193,750	5,797,849,000	+437,010,000	-152,840,000	+5,655,250
Economic Support Fund.....	3,200,820,000	3,281,000,000	3,261,000,000	3,281,000,000	+80,180,000	---	+20,000,000
Development Assistance:							
International organizations and programs.....	244,648,000	200,000,000	214,958,666	218,219,666	-26,428,334	+18,219,666	+3,261,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued

[Amounts in dollars]

Item	1988 appropriation	Budget estimate	House allowance	Committee recommendation	Senate committee recommendation compared with (+ or -)		
					1988 appropriation	Budget estimate	House allowance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bilateral Development Assistance	2,875,868,270	2,826,531,000	2,954,558,270	3,007,591,270	+131,723,000	+181,060,270	+53,033,000
Subtotal, non-bank development assistance	3,120,516,270	3,026,531,000	3,169,516,936	3,225,810,936	+105,294,666	+199,279,936	+56,294,000
International Financial Institutions	1,205,571,471	1,324,349,987	1,362,131,980	1,275,370,371	+69,798,900	-48,979,616	-86,761,609
Total, development assistance	4,326,087,741	4,350,880,987	4,531,648,916	4,501,181,307	+175,093,566	+150,300,320	-30,467,609
Total, titles I, II & III	12,887,746,741	13,582,569,987	13,584,842,666	13,580,030,307	+692,283,566	-2,539,680	-4,812,359
Export assistance:							
Budget authority effect of Ex-Im limitations	690,000,000	705,000,000	690,000,000	705,000,000	+15,000,000	---	+15,000,000
Other	13,000,000	20,400,000	25,000,000	25,000,000	+12,000,000	+4,600,000	---
Total, export assistance	703,000,000	725,400,000	715,000,000	730,000,000	+27,000,000	+4,600,000	+15,000,000
Total, all titles	13,590,746,741	14,307,969,987	14,299,842,666	14,310,030,307	+719,283,566	+2,060,320	+10,187,641
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE							
Contributions to International Financial Institutions	1,205,571,471	1,324,349,987	1,362,131,980	1,275,370,371	+69,798,900	-48,979,616	-86,761,609
International organizations and programs	244,648,000	200,000,000	214,958,666	218,219,666	-26,428,334	+18,219,666	+3,261,000

Total, contribution for Multilateral Economic Assistance	1,450,219,471	1,524,349,987	1,577,090,646	1,493,590,037	+43,370,566	-30,759,950	-83,500,609
TITLE II - BILATERAL ECONOMIC ASSISTANCE							
Bilateral Development Assistance	2,875,868,270	2,826,531,000	2,954,558,270	3,007,591,270	+131,723,000	+181,060,270	+53,033,000
Economic support fund	3,200,820,000	3,281,000,000	3,261,000,000	3,281,000,000	+80,180,000	---	+20,000,000
Total, Bilateral Economic Assistance	6,076,688,270	6,107,531,000	6,215,558,270	6,288,591,270	+211,903,000	+181,060,270	+73,033,000
TITLE III - MILITARY ASSISTANCE							
Military Assistance	700,750,000	467,000,000	876,750,000	---	-700,750,000	-467,000,000	-876,750,000
Foreign Military Credit Sales	4,581,000,000	5,399,500,000	4,832,500,000	5,718,760,000	+1,137,760,000	+319,260,000	+886,260,000
Other	79,089,000	84,189,000	82,943,750	79,089,000	---	-5,100,000	-3,854,750
Total, Military Assistance Programs	5,360,839,000	5,950,689,000	5,792,193,750	5,797,849,000	+437,010,000	-152,840,000	+5,655,250
TITLE IV - EXPORT ASSISTANCE							
Budget authority effect of Ex-Im limitations	690,000,000	705,000,000	690,000,000	705,000,000	+15,000,000	---	+15,000,000
Other	13,000,000	20,400,000	25,000,000	25,000,000	+12,000,000	+4,600,000	---
Total, export assistance	703,000,000	725,400,000	715,000,000	730,000,000	+27,000,000	+4,600,000	+15,000,000
Total, all titles	13,590,746,741	14,307,969,987	14,299,842,666	14,310,030,307	+719,283,566	+2,060,320	+10,187,641